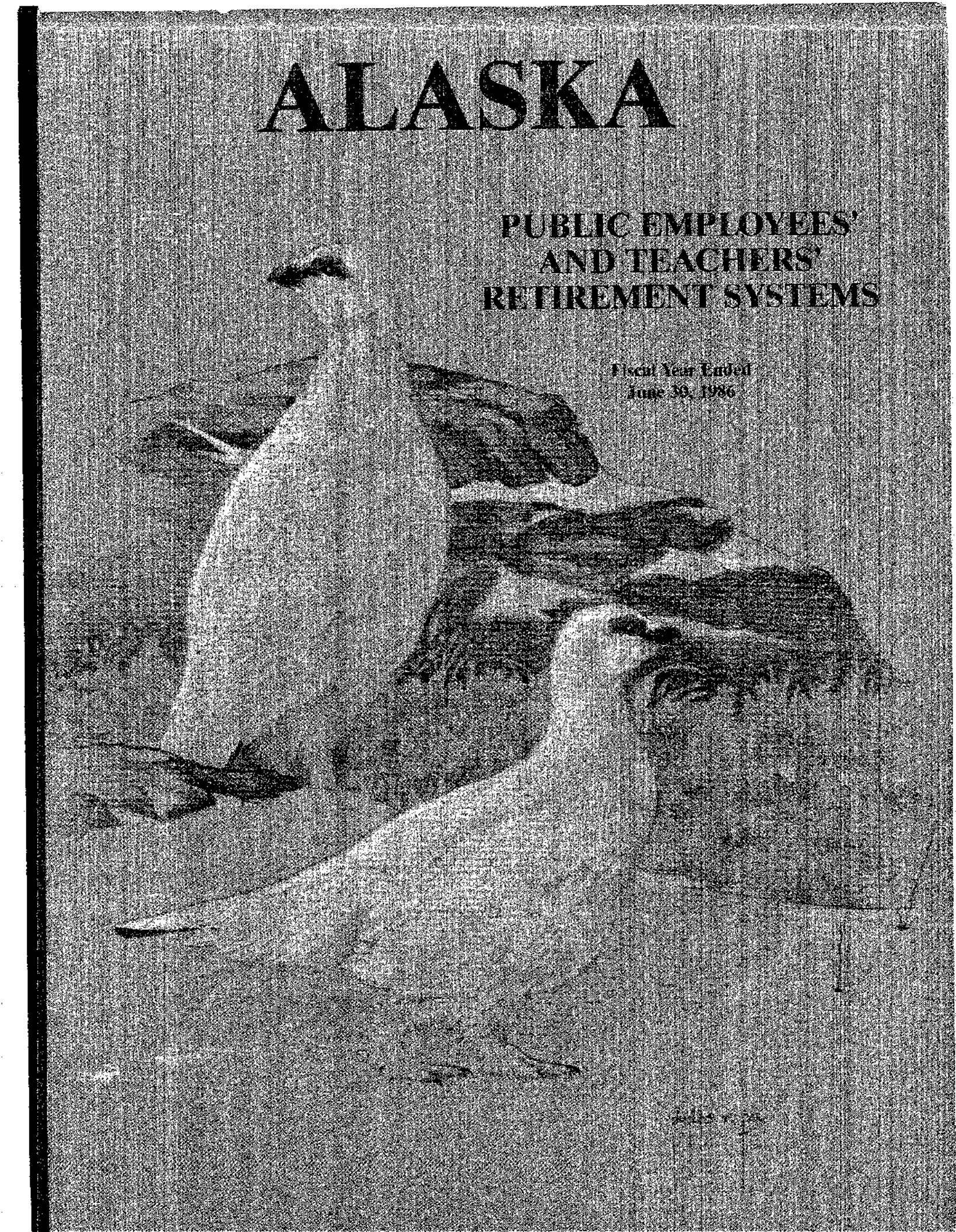


# ALASKA

## PUBLIC EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEMS

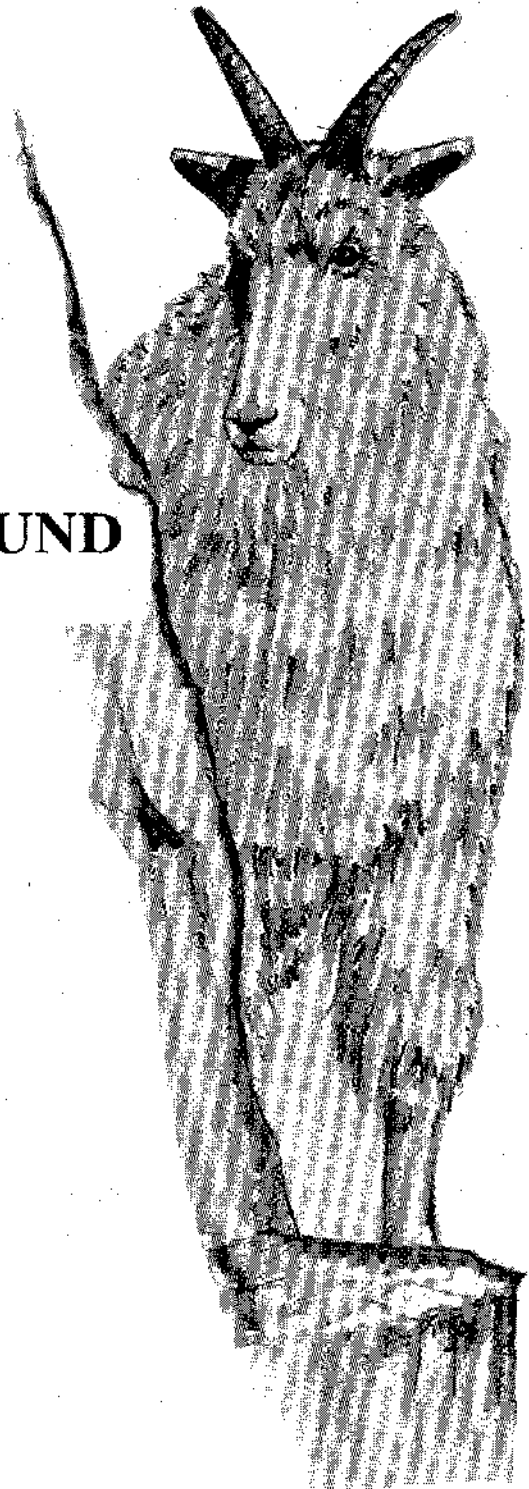
Fiscal Year Ended  
June 30, 1986



# **STATE OF ALASKA**

## **PUBLIC EMPLOYEES' RETIREMENT FUND TEACHERS' RETIREMENT FUND**

**FOR THE FISCAL YEAR  
JULY 1, 1985—JUNE 30, 1986**



STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT FUND  
TEACHERS' RETIREMENT FUND  
Fiscal Year 1986

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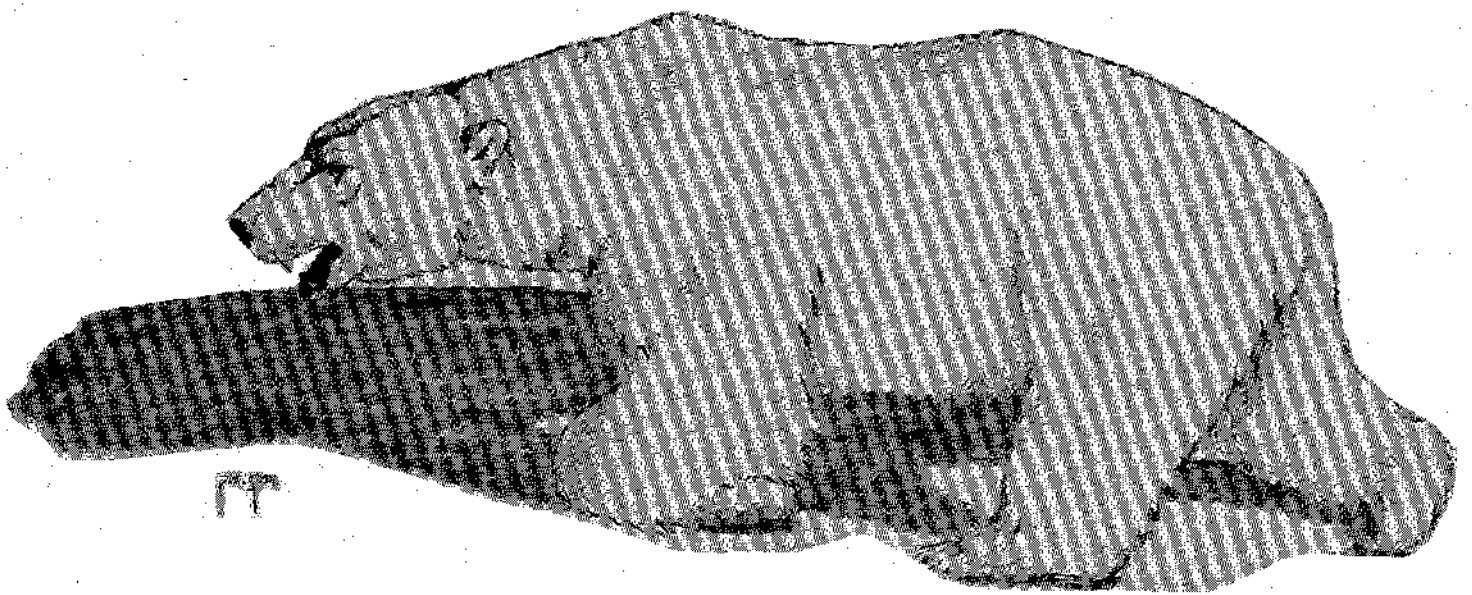
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Cover and introductory section prints courtesy of Phyllis Fox.

Phyllis Fox came to Alaska from northern Minnesota, where she became familiar with the out-of-doors and developed an early interest in wildlife portrayal. She has studied both commercial and fine art and now resides in Juneau, where she strives to successfully combine her background in art and nature.



# INTRODUCTORY SECTION







# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION

### OFFICE OF THE COMMISSIONER

**STEVE COWPER, GOVERNOR**

P.O. BOX C  
JUNEAU, ALASKA 99811-0200  
PHONE: (907) 465-2200

December 15, 1986

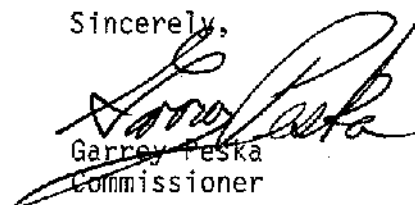
The Honorable Steve Cowper  
Governor of Alaska  
P.O. Box A  
Juneau, AK 99811

Dear Governor Cowper:

It is my pleasure to submit to you the Annual Report of the Alaska Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS).

This report shows the financial condition of both the PERS and TRS funds as of June 30, 1986. It has been prepared on the basis of standards set forth by the National Council on Governmental Accounting and is submitted in accordance with the requirements of Alaska Statutes 39.35.020(5) (PERS) and 14.25.030(4) (TRS).

Sincerely,



Garrey Peska  
Commissioner

Enclosure





# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION

### DIVISION OF RETIREMENT & BENEFITS

PLEASE REPLY TO:

☒ P.O. BOX CR  
JUNEAU, ALASKA 99811-0203  
PHONE: (907) 465-4460

☐ 2600 DENALI ST. SUITE 401  
ANCHORAGE, ALASKA 99503  
PHONE (907) 277-7504

Public Employees' Retirement System  
Teachers' Retirement System  
Judicial Retirement System  
Elected Public Officers Retirement System  
National Guard Retirement System  
Territorial Retirement System  
Retirees' Voluntary Dental-Vision-Audio Plan  
Supplemental Benefits System  
Group Health/Life Insurance Benefits  
Deferred Compensation Plan  
Public Employers Social Security Contributions

STEVE COWPER, GOVERNOR

December 12, 1986

Commissioner Garrey Peska  
Department of Administration  
P.O. Box C  
Juneau, AK 99811-0200

Dear Commissioner Peska:

I am pleased to submit to you the Annual Report of the Public Employees' (PERS) and Teachers' (TRS) Retirement Systems. The information presented in this report shows the results of operations and the financial condition of the two retirement funds for the fiscal year ending June 30, 1986. The financial statements in this report are presented on the accrual basis of accounting in accordance with the Financial Accounting Standards Board, Standard No. 35.

The report contains the financial statements, the audit report from the professional accounting firm of Peat, Marwick, Mitchell and Company, and excerpts from the most recent actuarial valuations prepared by the system's actuary, William M. Mercer-Meidinger, Inc. Also included are the fiscal year investment comments from the Division of Treasury, Department of Revenue, which is charged with the investment of the retirement funds.

The June 30, 1986, net assets available for benefits was \$1,739,843,490 for the PERS, an increase of 34.3 percent over the previous year; and \$1,141,650,155 for the TRS, an increase of 31.8 percent over the previous year.

The graphs on pages 39 and 40 (PERS) and pages 67 and 68 (TRS) demonstrate the increases in total assets and benefits paid in recent years. Additional information for the fiscal years ending June 30, 1984, through June 30, 1986, is provided in the following table:

	FY 1986		FY 1985		FY 1984	
	<u>PERS</u>	<u>TRS</u>	<u>PERS</u>	<u>TRS</u>	<u>PERS</u>	<u>TRS</u>
Number of participating employers (reporting entities)	112	61	105	59	94	59
Number of participating members	27,643	8,824	27,183	8,684	25,803	8,259
Number of retired members	4,657	2,098	4,317	2,022	3,859	1,764



	FY 1986		FY 1985		FY 1984	
	<u>PERS</u>	<u>TRS</u>	<u>PERS</u>	<u>TRS</u>	<u>PERS</u>	<u>TRS</u>
Average Annual Retirement Benefit	\$10,068	\$18,504	\$10,032	\$18,408	\$9,000	\$15,792
Average Annual Medical Benefit	\$2,100	\$2,100	\$2,302	\$2,302	\$1,873	\$1,873

The fall 1985 PERS and TRS Board meetings were held in Fairbanks and the spring 1986 meetings were held in Juneau. The annual actuarial valuations and employer contribution rates were approved at the spring meetings.

The following legislation affecting the retirement systems passed during the 1986 legislative session:

- ° Chapter 81, SLA 1986 (HB 228), added a provision which allows TRS members to retire and receive a normal benefit with 20 years of part-time membership service.
- ° Chapter 117, SLA 1986 (HB 237), added provisions effective January 1, 1987, which recognize the rights of PERS and TRS members' spouses and dependents, including former spouses under a qualified domestic relations order.
- ° Chapter 26, SLA 1986 (HB 382), established a retirement incentive program (RIP) to encourage eligible PERS and TRS members to voluntarily retire. The program is designed to reduce the cost of personal services and minimize the impact of workforce reductions.
- ° Chapter 82, SLA 1986 (HB 252), enacted major legislation affecting primarily the PERS. It provided for an automatic, actuarially funded, post retirement pension adjustment (PRPA); an increased benefit multiplier; and various cost-containment measures including an increase in PERS employee contribution rates by an additional 2½% of salary. In addition, beginning January 1, 1987, employee contributions will be treated as employer "pick up" contributions under 26 U.S.C. 414 (h)(2) and will be withheld before deducting applicable federal taxes. Other cost-containment measures affect only new PERS members first hired after June 30, 1986. They include: a partial pay provision for health coverage for retirees before age 65; no Alaska Cost of Living Allowance (COLA) for retirees before age 65; ineligibility for military credit for members eligible to receive a benefit from the federal government for the same service; and increasing the early and normal retirement ages to 55 and 60 respectively. The legislation also included various housekeeping provisions affecting both the PERS and TRS.

A second Request for Proposals (RFP) for the development of a new Combined Retirement System was issued in October 1986. Proposals are due on January 12, 1987. The original RFP for the new system was withdrawn because



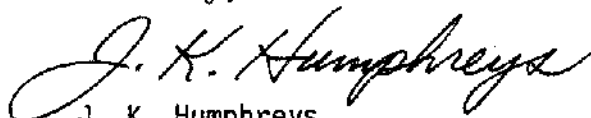
Commissioner Garrey Peska

December 12, 1986

of potential legal problems. During this past year, enhancements to the current PERS and TRS systems were completed.

A copy of this report will be mailed to all PERS and TRS employers. The cooperation of those employers is essential to the successful operation of the system.

Sincerely,

A handwritten signature in cursive script, reading "J. K. Humphreys".

J. K. Humphreys  
Director

Enclosure



# STATE OF ALASKA

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

P.O. BOX 5  
JUNEAU, ALASKA 99811-0400  
PHONE: (907) 465-2300

November 24, 1986

The Honorable Bill Sheffield  
Governor of Alaska  
P.O. Box A  
Juneau, AK 99811

Dear Governor Sheffield:

As the Treasurer and legal fiduciary of the Alaska Retirement Systems' funds, it is my pleasure to report to you that the combined return on the Public Employees and Teachers Retirement Funds' investments during the fiscal year ending June 30, 1986 set a new record level of over 26 percent, surpassing the record of almost 25.5 percent which was established in fiscal year 1985. The \$744.6 million increase in the market value of the Funds' investments exceeded the \$572.8 million increase of the preceding year and consisted of \$580.6 million of investment returns (including both income and capital gains) and \$164 million of employee and employer contributions (net of benefit payments and expenses).

Over the last few years we have developed new investment policies that require both the use of professional investment managers and the maintenance of flexible investment strategies which anticipate and readily adapt to continuing changes in the financial markets. The combination of the new policies together with large increases in market prices has led to the exceptionally high investment returns on the Funds' assets. Our strategy during the last two years of more than doubling the percentage of assets invested in equities and of lengthening the bond maturities has substantially enhanced the total Funds' investment performance. Foreign common stock allocations were increased from 1.5 percent to 6.3 percent of the Funds' assets and their market yield has averaged 58.9 percent annually. Domestic common stock allocations were increased from 12.2 percent to 25.3 percent of the Funds' assets and their market yield has averaged 35.1 percent annually. Lengthening the average bond maturities to 18 years from 12 years helped to give the bond investments a market yield of 24.3 percent annually.

Security prices rose substantially in fiscal year 1986 despite relatively poor economic performance and declining corporate





The Honorable Bill Sheffield  
November 24, 1986  
Page 2

profits. Our expectations for fiscal year 1987 are for equally poor or even lower levels of economic activity and business profitability, but we do not believe that financial market prices will continue rising. Consequently, the returns on investments during fiscal year 1987 may drop below 10 percent. Although our outlook for near term investment returns is substantially lower than the rates we have recently enjoyed, we continue to keep the Funds positioned to take advantage of any rise in security prices, and we are prepared to take protective actions to offset any severe declines in prices. The preliminary outlook for the next two fiscal years following the current one is much better. Economic growth and profitability should be rising then and the potential returns on investments should be greater. As of June 30, 1986 the financial condition of the State's retirement systems placed them within the top 20 percent of all state pension funds in the nation.

Respectfully,



Milton B. Barker  
Acting Commissioner of Revenue

MBB/JRW/gb



STATE OF ALASKA  
RETIREMENT FUNDS  
Combined Balance Sheet  
June 30, 1986  
(In Thousands)

<u>ASSETS</u>	<u>Total</u>	<u>Public Employees'</u> <u>Retirement Fund</u>	<u>Teachers'</u> <u>Retirement Fund</u>
Investments, at fair value:			
Certificates of deposit and other short-term investments	\$ 54,900	\$ 34,900	\$ 20,000
United States Government securities	954,191	583,492	370,699
Corporate bonds, notes and debentures	330,731	200,108	130,623
Common stocks	721,581	439,869	281,712
Foreign stocks	181,714	110,223	71,491
Real estate equity funds	162,854	97,994	64,860
Financial futures	2	1	1
Total investments	<u>\$2,405,973</u>	<u>\$1,466,587</u>	<u>\$ 939,386</u>
Loans and mortgages, at cost	\$ 407,435	\$ 237,782	\$ 169,653
Receivables:			
Contributions	\$ 13,406	\$ 4,936	\$ 8,470
Accrued interest and dividends	32,948	19,821	13,127
Total receivables	<u>\$ 46,354</u>	<u>\$ 24,757</u>	<u>\$ 21,597</u>
Cash	\$ 23,849	\$ 11,942	\$ 11,907
Total assets	<u>\$2,883,611</u>	<u>\$1,741,068</u>	<u>\$1,142,543</u>
Liability - accrued expenses	<u>2,118</u>	<u>1,225</u>	<u>893</u>
Net assets available for benefits	<u>\$2,881,493</u>	<u>\$1,739,843</u>	<u>\$1,141,650</u>



# **PUBLIC EMPLOYEES' RETIREMENT SYSTEM**



percy





# STATE OF ALASKA

## PUBLIC EMPLOYEES' RETIREMENT SYSTEM

### BOARD MEMBERS

<u>NAME</u>	<u>TERM EXPIRES</u>
C.R. "STEVE" HAFLING, CHAIRMAN	JULY 20, 1990
JAMES P. WELLINGTON, VICE-CHAIRMAN	MARCH 7, 1990
BEN HUMPHRIES	JUNE 20, 1988
MARLENE A. JOHNSON	JUNE 20, 1992
MARY A. NOTAR	MARCH 7, 1990



Peat, Marwick, Mitchell & Co.  
Certified Public Accountants  
Alaska Mutual Bank Building  
601 West 5th Avenue, Suite 700  
Anchorage, Alaska 99501

Division of Retirement and Benefits and  
Members of the Alaska Public Employees' Retirement Board  
State of Alaska Public Employees' Retirement System:

We have examined the statements of net assets available for benefits of the State of Alaska Public Employees' Retirement System as of June 30, 1986 and 1985, and the related statements of changes in net assets available for benefits for the years then ended and the statement of accumulated plan benefits as of June 30, 1985. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial status of the Plan as of June 30, 1985, and the changes in its financial status for the year then ended and information regarding net assets available for benefits and changes therein as of and for the year ended June 30, 1986, in conformity with generally accepted accounting principles applied on a consistent basis.

*Peat, Marwick, Mitchell & Co.*

September 25, 1986

STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Statements of Net Assets Available for Benefits

June 30, 1986 and 1985

(in thousands)

	<u>1986</u>	<u>1985</u>
Assets:		
Investments, at fair value:		
Short-term investments	\$ 34,900	9,700
United States Government securities	583,492	544,379
Corporate bonds, notes and debentures	200,108	48,494
Common stocks	439,869	186,850
Foreign stocks	110,223	38,824
Foreign bonds	-	22,886
Real estate equity funds	97,994	91,932
Financial futures	1	1
Total investments	<u>1,466,587</u>	<u>943,066</u>
Loans and mortgages, at cost	<u>237,782</u>	<u>297,553</u>
Receivables:		
Contributions	4,936	4,715
Accrued interest and dividends	19,821	20,064
Total receivables	<u>24,757</u>	<u>24,779</u>
Cash	<u>11,942</u>	<u>33,068</u>
Total assets	<u>1,741,068</u>	<u>1,298,466</u>
Liability - accrued expenses	1,225	2,930
Contingencies and subsequent events (notes 6 and 7)	<u>          </u>	<u>          </u>
Net assets available for benefits	<u>\$ 1,739,843</u>	<u>1,295,536</u>

See accompanying notes to financial statements.

STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Statements of Changes in Net Assets Available for Benefits

Years ended June 30, 1986 and 1985

(in thousands)

	<u>1986</u>	<u>1985</u>
Additions:		
Investment income:		
Net appreciation in fair value of investments (note 5)	\$ 159,873	117,733
Interest	171,192	105,072
Dividends	10,948	7,189
Total investment income	<u>342,013</u>	<u>229,994</u>
Contributions:		
State of Alaska and other employers	127,727	123,466
Employees	42,626	39,577
Total contributions	<u>170,353</u>	<u>163,043</u>
Total additions	<u>512,366</u>	<u>393,037</u>
Deductions:		
Benefits paid:		
Retirement	45,916	39,487
Medical	9,411	9,350
Total benefits paid	<u>55,327</u>	<u>48,837</u>
Refunds to terminated employees	9,165	9,553
Administrative expenses	3,567	3,813
Total deductions	<u>68,059</u>	<u>62,203</u>
Net increase	444,307	330,834
Net assets available for benefits:		
Beginning of year	<u>1,295,536</u>	<u>964,702</u>
End of year	\$ <u>1,739,843</u>	<u>1,295,536</u>

See accompanying notes to financial statements.

STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Statement of Accumulated Plan Benefits

June 30, 1985

(in thousands)

Actuarial present value of accumulated benefits:

Vested benefits:

Participants currently receiving payments

\$ 434,841

Other participants

815,895

Total vested benefits

1,250,736

Contingent liability (note 7)

107,879

Total actuarial present value of accumulated benefits

\$ 1,358,615

At June 30, 1984, the total actuarial present value of accumulated benefits was \$1,125,864. During the year ended June 30, 1985, there were no changes in the actuarial present value as a result of a change in actuarial assumptions. Subsequent to June 30, 1985, new actuarial assumptions were adopted. Had these assumptions been used in the above calculation, the effect would be to decrease the total actuarial present value of accumulated benefits by \$110,381 (notes 3 and 6).

See accompanying notes to financial statements.

STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements

June 30, 1986 and 1985

(1) Description of State of Alaska Public Employees' Retirement System (Plan)

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

General

The Plan is a joint-contributor plan created by State of Alaska Statutes effective January 1, 1961. The Plan was established to encourage qualified personnel to enter and remain in the service of the State, political subdivision or public organization of the State. Inclusion in the Plan is a condition of employment for State of Alaska employees except as otherwise provided for an elected officer. A municipality or other political subdivision of the State may request to become an employer in this system. The Plan was amended in June 1986. The effect of the amendment is not included in the calculation of accumulated Plan benefits. The significant Plan amendments are included in the applicable notes to the financial statements.

Pension Benefits

Employees hired prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. For employees hired after June 30, 1986, the normal and early retirement ages are 60 and 55, respectively. The normal annual pension benefit is equal to 2% of the member's highest three-year average monthly compensation for the first ten years of service, 2-1/4% for the second ten years of service and 2-1/2% for the third ten years of service. All service earned prior to July 1, 1986 will be calculated using the 2% multiplier. Employees with 30 or more years of credited service (20 years for peace officers and firemen) may retire at any age and receive a normal benefit. Employees retiring prior to January 1, 1987 may elect to receive their pension benefits in the form of a joint and survivor annuity. Beginning January 1, 1987, new retirees must receive their benefits in the form of a joint and survivor annuity unless the member's spouse agrees to another form of benefit. Minimum benefits for employees eligible for retirement are \$25 per month for each year of credited service. Major medical benefits are provided without cost to all members first hired before July 1, 1986. Members first hired after June 30, 1986 may elect major medical benefits.

(Continued)

STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements

Retirement Incentive Program

Legislation passed in May 1986 established a retirement incentive program designed to encourage eligible employees to voluntarily retire in order to reduce personnel service costs. The program is available to eligible State of Alaska employees until June 30, 1987, eligible University of Alaska employees where the program is available from October 1, 1986 to September 30, 1987, and all other members from January 1, 1987 to December 31, 1987.

Death and Disability Benefits

If an active employee dies from occupational causes the employee's spouse or dependent children receive a monthly pension from the Plan. The amount of the pension changes on the date the employee's normal retirement would have occurred if the employee had lived. The new benefit is based on the employee's average base salary at the time of his/her death and the credited service that would have occurred had the employee lived and continued to work until normal retirement date. Nonoccupational death benefits are paid based on years of service and would consist of either a lump-sum benefit or a joint and survivor option. Active employees who become permanently disabled due to an occupational injury receive disability payments until normal retirement age. At normal retirement age the disabled participants begin receiving normal retirement benefits computed as though they had been employed to normal retirement age with their annual compensation remaining the same as at the time they became disabled.

(2) Summary of Significant Accounting Policies

Valuation of Investments

Investments, other than real estate equity funds and loans and mortgages, are carried at market value to reflect their asset values as determined by the last quoted market price at June 30, 1986 and 1985.

Real estate equity funds are stated at estimated market value as determined by the independent management of the investment accounts. These investments do not have a readily available market and generally represent long-term investments.

(Continued)



STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements

Loans and mortgages are serviced by the institution from which the loan is purchased. The policy of the Plan is to hold these investments until maturity and, accordingly, the investments are stated at cost. Loans and mortgages include approximately \$2,183,000 and \$2,113,000 for 1986 and 1985, respectively, of other real estate owned. Other real estate owned represents properties on which the Plan has foreclosed and is holding with the intent to resell.

Contributions Receivable

Contributions from employees and employers for service through June 30 are accrued. These contributions are considered fully collectible and, accordingly, no allowance for uncollectible receivables is considered necessary.

Investment Income Receivable

Investment income receivable represents amounts earned but not yet received as of June 30. These amounts are considered fully collectible and, accordingly, no allowance for uncollectible receivables is considered necessary.

(3) Actuarial Present Value of Accumulated Benefits

Accumulated benefits are those future periodic payments, including lump-sum distributions, that are attributable under the Plan's provision to the service employees have rendered. Accumulated benefits include benefits expected to be paid to retired or terminated employees or their beneficiaries, beneficiaries of employees who have died, and present employees or their beneficiaries. Benefits under the Plan are based on employees' compensation during their highest three years of credited service. The accumulated benefits for active employees are based on their average compensation during the three years ending on the date that the benefit information is presented (the valuation date). Benefits payable under all circumstances--retirement, death, disability, and termination of employment--are included, to the extent they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of accumulated benefits is determined by an actuary from William M. Mercer-Meidinger Incorporated and is that amount that results from applying actuarial assumptions to adjust the accumulated benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of June 30, 1985 are as follows:

(Continued)

STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements

- a. Actuarial cost method - attained age normal, also known as aggregate method with supplemental liability, unfunded accrued benefit liability amortized over 25 years.
- b. Mortality basis - 1971 Group Annuity Mortality Table.
- c. Retirement age - the earlier of age 62 and 15 years of service, but not prior to age 57 for "other" members. Police and fire members are assumed to retire at the earlier of 22 years of service or attainment of age 55.
- d. Interest rate - 8% per annum, compounded annually, net of investment expenses.
- e. Health cost inflation - 8% per annum.
- f. Salary scale - increase of 8% per annum for the first five years of employment and 7% per year thereafter.
- g. Cost of living allowance (domicile in Alaska) - 60% of those receiving benefits will be eligible to receive the cost of living allowance.
- h. Contribution refunds - 100% of those terminating after age 35 with five or more years of service will leave their contributions and thereby retain their deferred vested benefit. All others who terminate are assumed to have their contributions refunded.
- i. Asset valuation - three-year average ratio between market and cost values of assets.

Turnover and disability assumptions are based upon actual historical occurrence rates of the Plan. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated benefits.

(Continued)

STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements

(4) Funding Policy

Employees' Contributions

Employees contribute 4-1/4% of their compensation, except for peace officers and firemen who contribute 5% of their compensation to the Plan. Contributions are collected by employers and remitted to the Plan. Beginning January 1, 1987, contribution rates will increase to 7.5% for peace officers and firemen and 6.75% for other employees.

Employer Contribution

Employer contributions vary and are determined annually on an actuarial basis for each employer.

(5) Investments

During 1986 and 1985, the Plan's investments (including investments bought, sold, as well as held during the year) appreciated (depreciated) in value as follows:

	<u>1986</u>	<u>1985</u>
United States Government securities	\$ 71,894	74,132
Corporate bonds, notes and debentures	4,805	12,429
Common stocks	60,758	23,011
Foreign stocks	23,152	5,087
Foreign bonds	(1,403)	1,403
Real estate equity funds	667	1,671
	<u>\$ 159,873</u>	<u>117,733</u>

(6) Subsequent Event

In September 1986, the Plan adopted new actuarial assumptions for the year ending June 30, 1987 as determined by an actuary from William M. Mercer-Meidinger Incorporated. The significant new actuarial assumptions which will be used in the valuations as of June 30, 1986 are as follows:

- a. Actuarial cost method - projected unit credit, unfunded accrued benefit liability amortized over 25 years, funding surplus amortized over 5 years.
- b. Mortality basis - 1984 Unisex Pension Mortality Table set back 1-1/2 years.

(Continued)

STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements

- c. Retirement age - retirement rates based on actual experience.
- d. Interest rate - 9% per annum, compounded annually, net of investment expenses.
- e. Health cost inflation - 9% per annum.
- f. Salary scale - increase of 6.5% for the first five years of employment and 5.5% per year thereafter.
- g. Cost of living allowance (domicile in Alaska) - 69% of those receiving benefits will be eligible to receive the cost of living allowance.

Using the new actuarial assumptions, the total actuarial present value of accumulated benefits at June 30, 1985 is as follows (in thousands):

Vested benefits:	
Participants currently receiving payments	\$ 438,625
Other participants	647,565
Total vested benefits	<u>1,086,190</u>
Nonvested benefits	<u>162,044</u>
Total actuarial present value of accumulated benefits	\$ <u>1,248,234</u>

(7) Contingent Liabilities

The State of Alaska Public Employees' Retirement System (System) is a party to an action contesting application of the early retirement factors adopted by the System in calculation of the actuarial present value of the accumulated plan benefits. If the early retirement factors are ultimately rejected, the actuarial present value of the accumulated plan benefits would increase by approximately \$54,000,000, which could result in an increase of approximately .74% in the average annual employer contribution rate.

# ACTUARIAL STATUS

William M. Mercer-Meidinger, Incorporated

## HIGHLIGHTS

This report has been prepared by William M. Mercer-Meidinger, Incorporated to:

- (1) present the results of a valuation of the Alaska Public Employees' Retirement System as of June 30, 1985;
- (2) review experience under the plan for the year ended June 30, 1985;
- (3) determine the contribution rates for the State and for each political subdivision of the State;
- (4) provide reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

The report is divided into three sections. Section 1 describes the basis of the valuation. It summarizes the plan provisions, provides information relating to the plan participants, and describes the funding methods and actuarial assumptions used in determining liabilities and costs.

Section 2 contains the results of the valuation. It includes the experience of the plan during the 1984-85 plan year, the current annual costs, and reporting and disclosure information. Section 3 contains additional supporting exhibits.


The principle results are as follows:

	<u>1984</u>	<u>1985</u>
Funding Status as of June 30:		
(a) Valuation Assets*	\$ 987,638	\$1,248,146
(b) Present Value of Accrued Benefits*	1,125,864	1,446,672
(c) Accrued Benefit Funding Ratio (a) / (b)	87.7%	86.3%
Contributions for Fiscal Year	<u>1987</u>	<u>1988</u>
(a) Consolidated Rate	12.31%	11.13%
(b) Average Past Service Rate	1.53%	2.07%
(c) Average Total Contribution Rate	13.84%	13.20%

\* In thousands.

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data provided to us by the plan sponsor and financial information provided by Peat, Marwick, Mitchell & Company, to determine a sound value for the plan liabilities. We believe that this value and the method suggested for funding it are in full compliance with the Employee Retirement Income Security Act of 1974, the Internal Revenue Code, and all applicable regulations.

Respectfully submitted,

A handwritten signature in cursive script that reads "Robert F. Richardson".

Robert F. Richardson, ASA  
Principal

RFR/js

April 3, 1986

## ANALYSIS OF THE VALUATION

### Actuarial Method and Assumptions

This actuarial report is the first to utilize the projected unit credit actuarial method. The actuarial assumptions remain unchanged since those adopted in March 1982. The Alaska statutes require that an experience analysis of the Systems' actuarial assumptions be performed at least every six years. Although changes have occurred since the last experience study, we still believe that the current actuarial assumptions are appropriate to determine liabilities and costs under the Public Employees' Retirement System.

This change in funding method was made to conform to the accounting procedures which were adopted by the Governmental Accounting Standards Board (GASB) in December 1985. Under the prior actuarial funding method, the funding ratio would have been 92.1% while the average employer contribution rate would have been 13.59%.

### Investment Performance

During the 1985 fiscal year, the investment return rate, based upon market values, was more than 22% . . . clearly the highest return rate since the inception of PERS. Based upon the three-year smoothing approach used to determine valuation assets, the return rate during fiscal year 1985 was 15.64%. This excellent investment performance was primarily responsible for the decrease in the average contribution rate.

### Health Inflation

For the first time since retiree health coverage became a benefit in PERS, there has been a decrease in the monthly premium. As reported in last year's actuarial report, we had projected the FY86 premium to decrease to \$165 per month. The actual premium for the year decreased to only \$168.25. Consequently, there was a very small actuarial loss from this assumption.

### Salary Increases

The third most important factor affecting costs and liabilities under PERS is the impact of inflation on salary increases. For the second straight year, salary increases on an average were less than the actuarial assumption. As of June 30, 1985, the average annual salary was \$30,555 . . . an increase of only 1.4% over the prior year. Accordingly, there were actuarial gains from less-than-anticipated salary increases which contributed, along with the excellent investment performance, to the decrease in employer contribution rates and the large increase in the funding ratio.



### Membership Statistics

For the second year in a row, there was a large increase in the average age of the active PERS members. During the 6 1/2 year period from January 1, 1977 to June 30, 1983, there has been a modest but steady trend upward in the average age, with average annual increases of .09 years. In the last two years, however, average age has increased at .38 years per year. This phenomenon continues to put upward pressure on costs and liabilities . . . thus dampening the beneficial affects of actuarial gains from investment and salary increases.

### Retiree Statistics

There was a large increase in the number of new retirees during FY85, with 512 new benefit recipients added to the pension rolls. Average age at retirement showed a drop of almost half a year. This statistic continues to be volatile, with the average age at retirement vacillating between 57 1/2 and 59 1/2 for the last several years.

### Conclusions

Primarily due to the excellent investment performance during FY85, employer contribution rates decreased for most political subdivisions. Cost containment measures in the retiree health program, as well as a general slowing of medical inflation, both contributed to a smaller actuarial loss from health inflation than we have witnessed in several years. The change in actuarial funding methods led to a decrease in both the funding ratio and employer contribution rate.

Section 1.6  
ACTUARIAL BASIS

Valuation of Liabilities

- A. Actuarial Method - Projected Unit Credit. The unfunded accrued benefit liability is amortized over 25 years.
- B. Method For Accumulated Plan Benefit Values

The actuarial present value of accumulated plan benefits (the term used for Financial Accounting Standards Board purposes) and present value of accrued benefits are a measure of plan benefits which have been earned to date. These are not only a valuation of retirement benefits, but also of deferred vested, death benefits, and other ancillary benefits. Earnings and service for benefit purposes which are expected to be earned after the valuation date are excluded from these values.

The actuarial assumptions used to determine these values are identical to those used for the funding purposes.

In estimating accumulated benefits, final average compensation is based on compensation data in the possession of the actuary.

C. Actuarial Assumptions

- |                          |  |
|--------------------------|--|
| 1. Interest              | 8% per year, compounded annually, net of investment expenses.  |
| 2. Salary Scale          | 8% per year for the first five years of employment and 7% per year thereafter.   |
| 3. Health Cost Inflation | 8% per year.   |
| 4. Mortality             | 1971 Group Annuity Mortality Table.  |
| 5. Turnover              | Based upon the 1980-81 actual total turnover experience (see Table 1).   |
| 6. Disability            | Incidence rates in accordance with Table 2. Post-disability mortality in accordance with rates published by the Pension Benefit Guaranty Corporation to reflect mortality of those receiving disability benefits |

under Social Security. 94% of the disabilities are assumed to be occupational for Police and Fire; 28% for others.

7. Retirement Age

The earlier of age 62 and 15 years of service, but not prior to age 57 for "other" members. Police and Fire members are assumed to retire at the earlier of 22 years of service or attainment of age 55.

8. Spouse's Age

Wives are assumed to be four years younger than husbands.

9. Contribution Refunds

100% of those terminating after age 35 with five or more years of service will leave their contributions in the System and thereby retain their deferred vested benefit. All others who terminate are assumed to have their contributions refunded.

10. C.O.L.A.

60% of those receiving retirement benefits will be eligible for C.O.L.A.

11. Expenses

No loading for expenses.

Valuation of Assets

Based upon the three-year average ratio between market and cost values of the System's assets. Assets are accounted for on an accrual basis.

Valuation of Medical Benefits

Medical benefits for retirees are provided by the payment of premiums from the trust fund. A pre-65 cost and lower post-65 cost (due to Medicare) were assumed such that the total rate for all retirees equals the present premium rate. These medical premiums are then increased with the health inflation assumption. The actuarial cost method used for funding health benefits is the same method used to fund retirement benefits. Health benefits are assumed to be fully accrued once a member becomes vested.

TABLE 1  
EMPLOYEE TURNOVER ASSUMPTIONS

Select Rates of Turnover During the First 4 Years of Employment		Ultimate Rates of Turnover After 4 Years of Employment		
<u>Year of Employment</u>	<u>Police &amp; Fire</u>	<u>Police &amp; Fire</u>	<u>Attained Age</u>	<u>"Other"</u>
1	.11	.2000	20	.2500
2	.15	.2000	21	.2500
3	.13	.2000	22	.2500
4	.10	.2000	23	.2500
		.2000	24	.2500
		.2000	25	.2500
<u>Year of Employment</u>	<u>"Other" Males</u>	.1760	26	.2200
1	.30	.1520	27	.1900
2	.28	.1280	28	.1600
3	.26	.1040	29	.1300
4	.18	.0800	30	.1000
		.0760	31	.0950
		.0720	32	.0900
<u>Year of Employment</u>	<u>"Other" Females</u>	.0700	33	.0875
1	.40	.0680	34	.0850
2	.35	.0680	35	.0850
3	.28	.0680	36	.0850
4	.20	.0660	37	.0825
		.0640	38	.0800
		.0640	39	.0800
		.0640	40	.0800
		.0620	41	.0775
		.0600	42	.0750
		.0600	43	.0750
		.0600	44	.0750
		.0580	45	.0725
		.0560	46	.0700
		.0560	47	.0700
		.0540	48	.0675
		.0520	49	.0650
		.0480	50	.0600
		.0400	51	.0500
		.0400	52	.0500
		.0400	53	.0500
		.0400	54	.0500
		.0400	55	.0500
		.0400	56	.0500
		.0400	57	.0500
		.0400	58	.0500
		.0400	59	.0500
		.0240	60 & Up	.0300

TABLE 2  
DISABILITY RATES  
ANNUAL RATES PER 1,000 EMPLOYEES

<u>Age</u>	<u>Police &amp; Fire Rate</u>	<u>"Other" Member Rate</u>
20	1.93	.60
21	1.95	.60
22	1.98	.61
23	2.01	.62
24	2.04	.63
25	2.06	.64
26	2.09	.65
27	2.15	.66
28	2.20	.68
29	2.26	.70
30	2.31	.71
31	2.37	.73
32	2.42	.75
33	2.48	.77
34	2.56	.79
35	2.64	.82
36	2.72	.84
37	2.83	.88
38	2.94	.91
39	3.05	.94
40	3.16	.98
41	3.30	1.02
42	3.49	1.08
43	3.74	1.16
44	4.07	1.26
45	4.46	1.38
46	4.84	1.50
47	5.25	1.62
48	5.69	1.76
49	6.13	1.90
50	6.60	2.04
51	7.15	2.21
52	7.87	2.43
53	8.75	2.70
54	9.76	3.02
55	11.00	3.40
56	12.62	3.90
57	14.69	4.54
58	16.78	5.19
59	19.80	6.12

Section 2.3(c)  
DEVELOPMENT OF AVERAGE EMPLOYER CONTRIBUTION RATE - FY88  
ALL MEMBERS  
TOTAL SYSTEM (in thousands)

Consolidated Rate

(1) Total Normal Cost	\$ 128,411
(2) Total Salaries	830,579
(3) Normal Cost Rate for All Members, (1) / (2)	15.46%
(4) Average Member Contribution Rate	4.33%
(5) Consolidated Rate, (3) - (4)	11.13%

Past Service Rate

(1) Present Value of Accrued Benefits	\$1,446,672
(2) Valuation Assets	1,248,146
(3) Total Unfunded Liability, (1) - (2)	198,526
(4) 25-Year Amortization Factor	11.528758
(5) Past Service Payment, (3) / (4)	\$ 17,220
(6) Total Salaries	830,579
(7) Past Service Rate, (5) / (6)	2.07%

<u>Total Employer Contribution Rate</u>	13.20%
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STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT FUND  
Comparative Statement of Operations

	FISCAL YEAR ENDED	
	June 30, 1986	June 30, 1985
Beginning Equities & Reserves	\$1,295,535,618	\$964,702,019
Additions:		
<u>Employees' Contributions</u>		
Akutan, City of	6,325	2,987
Alaska, State of	23,392,421	21,974,983
Alaska Housing Finance Corporation	66,113	90,592
Alaska Municipal League	4,597	15,721
Alaska State Housing Authority	171,845	142,028
Alaska Unorganized Borough Schools	(3,782)	(294)
Alaska, University of	2,748,532	2,572,327
Alaska, University of, Geophysical Inst.	131,977	137,280
Aleutian Region School District	14,157	13,666
Anchorage, Municipality of	4,020,282	3,699,252
Anchorage, Municipality of, Parking Auth.	(12,587)	44,502
Anchorage School District	1,573,487	1,561,248
Annette Island School District	22,604	18,880
Barrow, City of	14,658	32,202
Bering Straits School District	137,484	130,173
Bethel, City of	20,141	(12,130)
Bristol Bay Borough	35,926	44,746
Bristol Bay Borough School District	17,994	13,213
Chatham School District	14,594	14,081
Chugach Region School District	4,776	3,057
Copper River School District	30,501	28,926
Cordova, City of	58,322	56,061
Cordova Community Hospital	35,323	33,007
Cordova Public Schools	19,204	17,829
Craig, City of	17,435	16,374
Craig School District	1,703	1,237
Dillingham, City of	69,462	47,943
Dillingham School District	43,313	8,648
Emmonak, City of	-0-	-0-
Fairbanks, City of	641,664	565,539
Fairbanks Municipal Utility System	357,445	288,271
Fairbanks North Star Borough	434,724	513,226
Fairbanks North Star Borough School District	657,777	546,267
Fort Yukon, City of	6,023	7,193
Galena, City of	34,499	34,648
Galena City Schools	15,171	12,362
Haines Borough	4,923	2,499
Haines, City of	29,524	28,881
Homer, City of	-0-	-0-

STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT FUND  
Comparative Statement of Operations

FISCAL YEAR ENDED  
June 30, 1986      June 30, 1985

Additions - Continued:  
Employees' Contributions

Hoonah, City of	21,943	21,591
Hoonah City Schools	16,458	14,203
Hydaburg City School District	9,317	6,258
Iditarod Area School District	77,662	48,184
Juneau, City and Borough of	973,373	886,968
Juneau Borough School District	166,172	159,244
Kake, City of	9,392	25,634
Kashunamiut School District	16,101	-0-
Kenai, City of	116,905	135,115
Kenai Peninsula Borough	309,601	260,535
Kenai Peninsula Borough School District	297,666	248,537
Ketchikan, City of	246,364	242,455
Ketchikan Gateway Borough	71,736	65,613
Ketchikan Gateway Borough School District	47,756	29,871
King Cove, City of	22,173	19,389
King Cove City School District	8,861	8,023
Kodiak, City of	151,376	154,089
Kodiak Island Borough	76,634	78,379
Kodiak Island Borough School District	161,320	110,180
Kotzebue, City of	121,876	109,030
Kuspuk School District	45,970	41,205
Lake and Peninsula School District	36,131	34,562
Lower Kuskokwim School District	317,291	324,329
Lower Yukon School District	130,107	125,887
Matanuska-Susitna Borough	266,666	223,150
Matanuska-Susitna Borough School District	367,636	321,977
Nenana, City of	14,362	7,788
Nenana City Schools	11,805	9,821
Nome, City of	81,615	57,827
Nome City Schools	39,612	49,853
Nome Public Utilities	30,212	21,725
North Pacific Fisheries Management Council	24,816	24,333
North Pole, City of	25,405	60,949
North Slope Borough	1,358,465	1,099,177
North Slope Borough School District	280,450	217,490
Northwest Arctic Borough	-0-	-0-
Northwest Arctic School District	225,610	210,997
Palmer, City of	119,865	84,973
Pelican, City of	5,062	4,410
Petersburg, City of	86,183	71,398



STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT FUND  
Comparative Statement of Operations

	FISCAL YEAR ENDED	
	June 30, 1986	June 30, 1985
Additions - Continued:		
<u>Employees' Contributions</u>		
Petersburg General Hospital	29,854	29,919
Pribilof Region School District	3,091	15,010
Railbelt School District	26,924	17,673
Ruby, City of	712	-0-
Saint Paul, City of	46,135	16,008
Saint Mary's, City of	1,485	-0-
Sand Point, City of	20,858	15,861
Sand Point City School District	7,753	(1,584)
Saxman, City of	716	7,032
Scammon Bay	231	2,526
Seward, City of	104,106	94,446
Seward General Hospital	19,164	-0-
Sitka, City and Borough of	164,680	149,703
Sitka Community Hospital	67,508	79,487
Sitka Borough School District	77,717	45,823
Skagway, City of	24,293	16,469
Soldotna, City of	90,175	41,645
Southeast Islands School District	18,690	19,942
Southeast Regional Resource Center	22,838	6,685
Southwest Region Schools	49,715	70,860
Stebbins, City of	-0-	-0-
Tanana, City of	13,102	26,037
Tanana City School District	7,445	(5,700)
Terminated Employers	1,270	(3,041)
Thorne Bay, City of	4,876	3,892
Unalakleet, City of	11,674	14,815
Unalaska, City of	83,778	73,857
Unalaska City Schools	9,911	6,159
Valdez, City of	202,676	204,640
Valdez City Schools	55,198	89,171
Wainwright, City of	2,033	-0-
Wasilla, City of	25,984	21,208
Whittier, City of	25,813	20,685
Wrangell, City of	66,765	54,017
Wrangell City Schools	18,053	15,970
Yukon Flats School District	37,322	44,770
Yukon Koyukuk School District	55,276	60,599
Total Employees' Contributions	\$ 42,626,327	\$ 39,577,156

STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT FUND  
Comparative Statement of Operations

FISCAL YEAR ENDED  
June 30, 1986      June 30, 1985

Additions - Continued:  
Employers' Contributions

Akutan, City of	14,994	7,239
Alaska, State of	71,213,438	71,596,371
Alaska Housing Finance Corporation	164,358	148,096
Alaska Municipal League	29,278	24,233
Alaska State Housing Authority	552,241	569,523
Alaska Unorganized Borough Schools	-0-	-0-
Alaska, University of	7,223,311	6,291,216
Alaska, University of, Geophysical Inst.	352,258	328,456
Aleutian Region School District	29,655	25,525
Anchorage, Municipality of	13,406,109	12,511,215
Anchorage, Municipality of Parking Auth.	47,215	20,606
Anchorage School District	6,014,300	5,611,065
Annette Island School District	51,088	50,919
Barrow, City of	65,313	54,879
Bering Straits School District	367,882	340,670
Bethel, City of	70,975	44,125
Bristol Bay Borough	116,134	96,821
Bristol Bay Borough School District	64,207	42,818
Chatham School District	41,825	34,656
Chugach Region School District	2,392	7,769
Copper River School District	97,005	87,409
Cordova, City of	160,186	183,849
Cordova Community Hospital	88,733	67,631
Cordova Public Schools	65,405	68,293
Craig, City of	52,582	42,977
Craig School District	4,559	4,084
Dillingham, City of	112,180	106,239
Dillingham School District	167,815	13,120
Emmonak, City of	-0-	-0-
Fairbanks, City of	2,066,134	1,918,680
Fairbanks Municipal Utility System	1,283,387	1,167,804
Fairbanks North Star Borough	1,143,233	961,962
Fairbanks North Star Borough School District	1,558,941	1,562,097
Fort Yukon, City of	12,613	13,185
Galena, City of	106,137	89,704
Galena City Schools	33,709	36,934
Haines Borough	9,396	6,179
Haines, City of	66,288	69,099
Homer, City of	-0-	-0-
Hoonah, City of	59,847	44,513
Hoonah City Schools	63,865	57,220
Hydaburg City School District	17,884	17,046

STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT FUND  
Comparative Statement of Operations

	FISCAL YEAR ENDED	
	June 30, 1986	June 30, 1985
<b>Additions - Continued:</b>		
<u>Employers' Contributions</u>		
Iditarod Area School District	135,277	126,163
Juneau, City and Borough of	2,537,022	2,287,671
Juneau Borough School District	592,472	534,241
Kake, City of	36,866	30,865
Kashunamiut School District	29,138	-0-
Kenai, City of	344,986	295,892
Kenai Peninsula Borough	984,059	826,299
Kenai Peninsula Borough School District	1,135,633	1,196,050
Ketchikan, City of	1,023,728	938,488
Ketchikan Gateway Borough	181,184	193,300
Ketchikan Gateway Borough School District	120,459	100,412
King Cove, City of	47,327	40,361
King Cove City School District	25,205	24,089
Kodiak, City of	543,247	557,678
Kodiak Island Borough	192,632	165,558
Kodiak Island Borough School District	395,293	625,028
Kotzebue, City of	302,429	228,313
Kuspuk School District	95,250	84,675
Lake and Peninsula School District	94,123	81,884
Lower Kuskokwim School District	798,192	752,198
Lower Yukon School District	347,456	313,239
Matanuska-Susitna Borough	628,500	583,918
Matanuska-Susitna Borough School District	1,123,290	972,705
Nenana, City of	35,171	32,808
Nenana City School	36,854	37,112
Nome, City of	240,720	233,967
Nome City Schools	178,846	181,191
Nome Public Utilities	46,068	39,753
North Pacific Fisheries Management Council	47,099	39,020
North Pole, City of	101,085	106,645
North Slope Borough	2,632,858	2,391,692
North Slope Borough School District	635,658	537,134
Northwest Arctic Borough	-0-	-0-
Northwest Arctic School District	477,368	494,984
Palmer, City of	252,833	246,992
Pelican, City of	13,823	(6,372)
Petersburg, City of	353,697	325,274
Petersburg General Hospital	97,341	123,262
Pribilof Region School District	39,872	27,552
Railbelt School District	59,305	59,082

STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT FUND  
Comparative Statement of Operations

	FISCAL YEAR ENDED	
	June 30, 1986	June 30, 1985
Additions - Continued:		
<u>Employers' Contributions</u>		
Ruby, City of	1,236	-0-
Saint Paul, City of	81,360	37,661
Saint Mary's, City of	2,912	-0-
Sand Point, City of	42,841	41,230
Sand Point City School District	19,745	16,447
Saxman, City of	12,822	6,417
Scanmon Bay	545	8,406
Seward, City of	304,052	292,328
Seward General Hospital	86,899	-0-
Sitka, City and Borough of	620,607	624,774
Sitka Community Hospital	179,570	191,985
Sitka Borough School District	259,656	258,571
Skagway, City of	51,201	50,232
Soldotna, City of	299,780	79,213
Southeast Islands School District	40,557	36,861
Southeast Regional Resource Center	56,127	67,603
Southwest Region Schools	131,915	130,780
Stebbins, City of	-0-	-0-
Tanana, City of	36,923	35,194
Tanana City School District	20,899	16,530
Terminated Employers	(1,270)	-0-
Thorne Bay, City of	13,722	10,441
Unalakleet, City of	53,446	49,307
Unalaska, City of	209,305	177,698
Unalaska City Schools	28,356	17,081
Valdez, City of	446,299	405,280
Valdez City Schools	195,317	200,683
Wainwright City of	2,852	-0-
Wasilla, City of	60,474	40,856
Whittier, City of	70,036	72,475
Wrangell, City of	171,141	160,871
Wrangell City Schools	42,308	55,301
Yukon Flats School District	94,326	94,280
Yukon Koyukuk School District	131,501	133,432
<hr/>		
Total Employers' Contributions	\$ 127,726,698	\$ 123,465,277
Net Investment Income	\$ 182,140,000	\$ 112,261,296
Market Value Adjustment	\$ 159,873,421	\$ 117,732,469
Total Additions	<u>\$ 512,366,446</u>	<u>\$ 393,036,198</u>

STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT FUND  
Comparative Statement of Operations

	FISCAL YEAR ENDED	
	June 30, 1986	June 30, 1985
Equities, Reserves and Additions	<u>\$1,807,902,064</u>	<u>\$1,357,738,217</u>
Deductions:		
Administrative Expenses		
Personal Services	1,045,871	741,766
Travel and Moving	39,775	35,320
Contractual Services	482,296	933,686
Supplies and Materials	12,683	22,178
Machinery/Equipment	15,852	45,020
Grants/Interagency Services	<u>1,970,500</u>	<u>2,034,600</u>
Total Administrative Services	3,566,977	3,812,570
Employees' Contributions and Interest		
Refunded	9,165,313	9,553,211
Employers' Contributions Refunded	-0-	-0-
Medical Benefit Expenses	9,410,481	9,350,253
Retirement Benefits Paid	45,915,803	39,486,565
Total Deductions	<u>\$ 68,058,574</u>	<u>\$ 62,202,599</u>
Ending Equities and Reserves - Adjusted	<u>\$1,739,843,490</u>	<u>\$ 1,295,535,618</u>

STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
Benefit Payments Breakdown  
Fiscal Year 1986

Benefit Type	Totals All Categories	Regular Retirees	Peace Officer Retirees	Fireman Retirees	*Elected Off. Retirees
Base Benefits	\$ 33,796,124	\$ 30,702,643	\$ 2,512,668	\$ 499,796	\$ 81,017
Cost of Living Allowance	2,957,372	2,678,186	225,547	42,407	11,232
Widow Annuity	1,086,185	1,025,517	26,835	33,339	494
Survivor Benefits	355,386	172,750	162,908	19,728	-0-
Disability Benefits	1,067,669	661,684	278,428	127,557	-0-
Post Retirement Pension Adjustment	6,333,044	5,694,685	500,080	127,205	11,074
Voluntary Annuity	7,911	7,911	-0-	-0-	-0-
Lump Sum Benefit	312,112	312,112	-0-	-0-	-0-
Medical Benefits	9,410,481	8,920,945	356,573	90,656	42,307
Totals by Membership Category	\$ 55,326,284	\$ 50,176,433	\$ 4,063,039	\$ 940,688	\$ 146,124

Retirees (6/30/86)

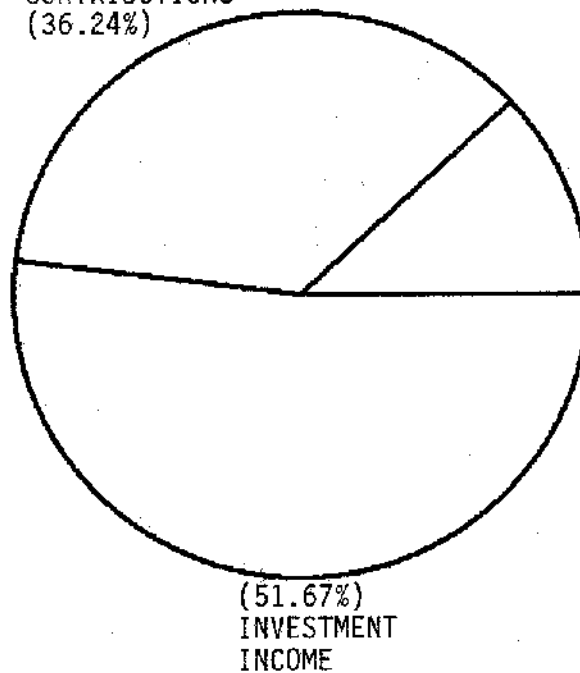
4,657      4,414      177      45      21

\* Active and Retired Elected Public Officers as of October 13, 1976, were mandatorily transferred to the Elected Public Officers Retirement System (EPORS), which was established by Legislation on January 1, 1976. Under current Legislation, all other elected officials may participate in the PERS or the TRS, or do not participate at their option.

STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
YEAR ENDED JUNE 30, 1986  
INCOME AND RECEIPTS  
\$352,493,025

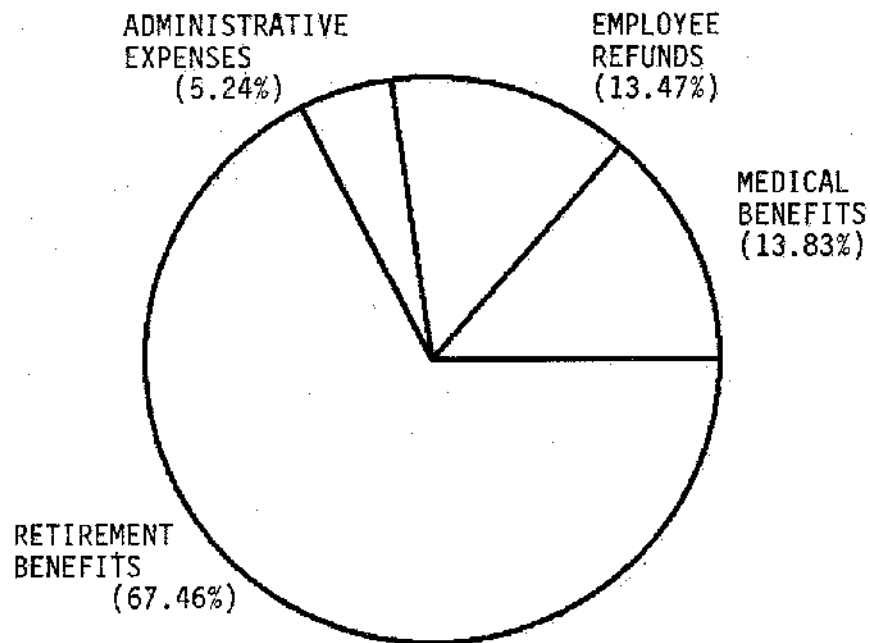
EMPLOYER  
CONTRIBUTIONS  
(36.24%)

EMPLOYEE  
CONTRIBUTIONS  
(12.09%)



STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
YEAR ENDED JUNE 30, 1986

DISBURSEMENTS  
\$68,058,574



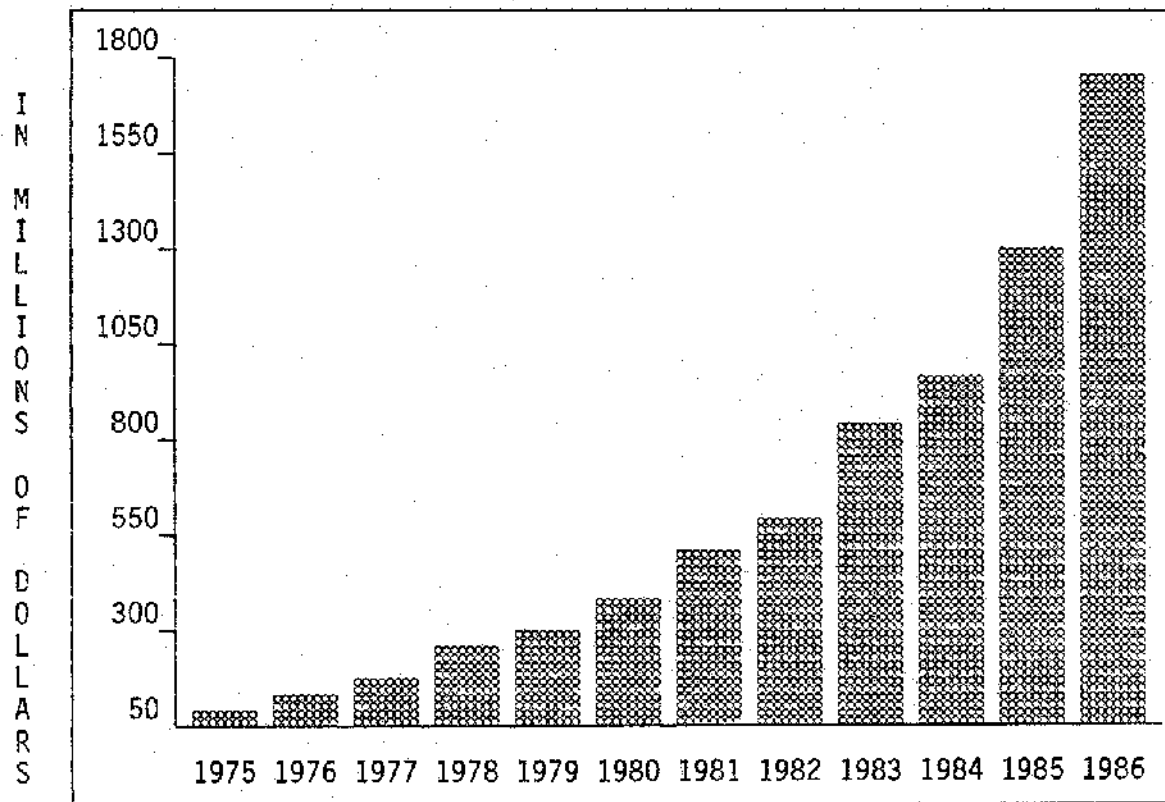


STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT FUND  
Historical Data  
Fiscal Years 1975 through 1986  
(cents omitted)

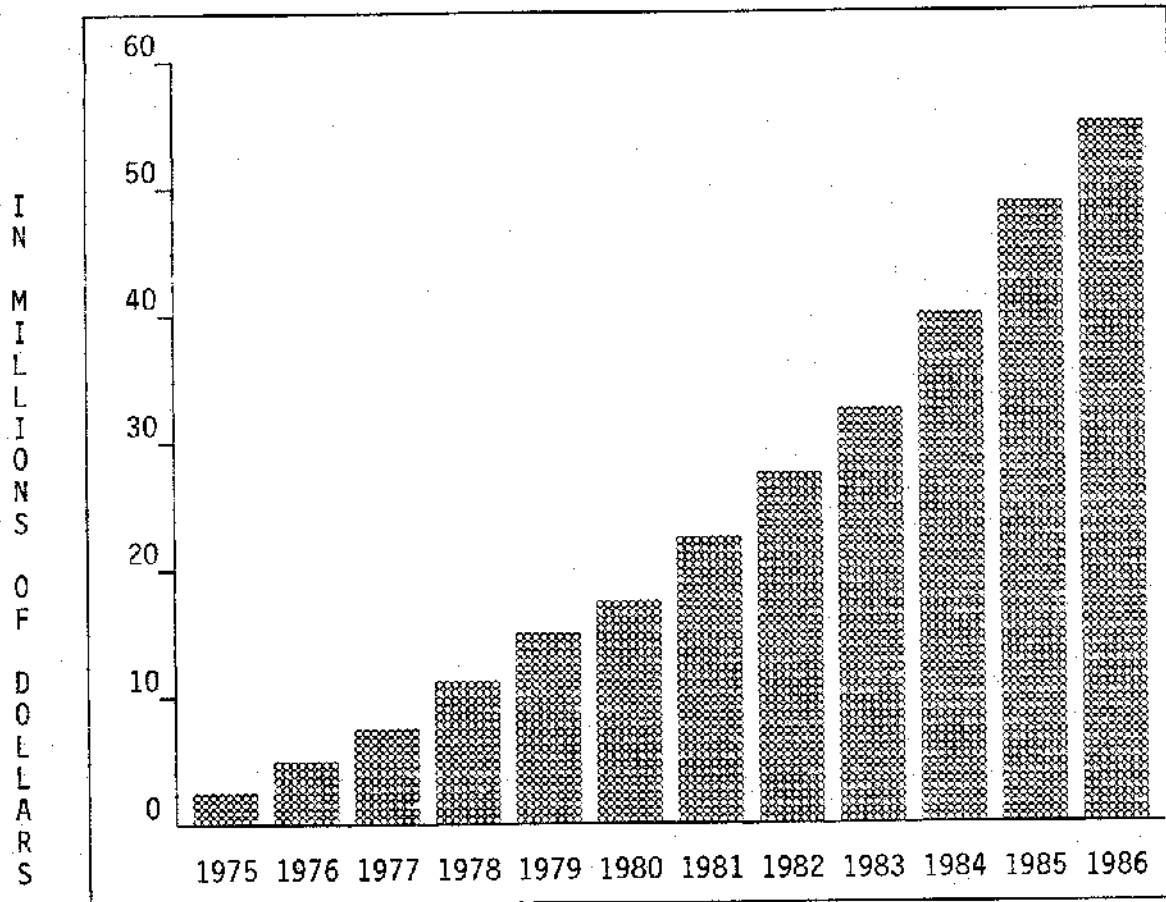
Fiscal Year	Assets Fiscal Year End	Employers' Contributions During Fiscal Year	Employees' Contributions During Fiscal Year	Benefits Paid Including Medical Expenses & Death Benefits	Employees' Contributions and Interest Refunded During Fiscal Year	Net Investment Income During Fiscal Year
1975	107,556,336	13,435,344	8,449,474	2,810,321	3,163,052	2,365,398
1976	141,988,644	22,712,558	12,348,074	4,842,542	3,758,719	8,367,857
1977	190,954,572	34,881,182	13,438,538	7,607,162	3,816,748	12,602,465
1978	246,662,043	38,735,575	16,176,433	11,005,738	4,345,592	16,612,594
* 1979	316,675,507	47,613,575	17,631,003	14,947,478	4,978,848	25,177,371
1980	402,125,897	56,236,318	20,898,263	17,775,811	5,759,464	37,489,889
1981	493,075,440	71,832,706	24,321,437	22,803,960	7,006,149	50,366,085
1982	609,103,807	88,332,287	28,918,210	27,438,183	7,192,268	51,408,749
1983	837,559,610	99,726,866	32,594,208	32,942,505	7,682,104	85,609,413
1984	964,702,019	114,245,148	36,764,836	39,998,747	8,888,000	100,972,192
1985	1,295,535,618	123,465,277	39,577,155	48,836,818	9,553,211	112,261,296
1986	1,739,843,490	127,726,698	42,626,327	55,326,284	9,165,313	182,140,000

\* Figures presented on an accrual basis effective FY 1979.

STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT FUND  
TOTAL ASSETS  
FISCAL YEARS 1975 THROUGH 1986



STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BENEFITS PAID  
FISCAL YEARS 1975 THROUGH 1986



STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT FUND  
Employer Contribution Rates  
Fiscal Year 1986

<u>Employer</u>	<u>Percentage</u>
Akutan	11.96
Alaska, State of	
Policemen, Firemen	19.61
Inland Boatmen	14.31
All Other Employees	12.93
Alaska Housing Finance Corporation	10.60
Alaska Municipal League	23.97
Alaska State Housing Authority	15.64
Alaska, University of	11.21
Alaska, University of, Geophysical Institute	11.21
Aleutian Region School District	8.93
Anchorage, Municipality of	14.49
Anchorage, Municipality of Parking Authority	14.49
Anchorage School District	15.57
Annette Island School District	10.40
Barrow, City of	12.53
Bering Straits School District	11.21
Bethel, City of	15.24
Bristol Bay Borough	14.85
Bristol Bay Borough School District	14.49
Chatham School District	12.18
Chugach Regional School District	3.01
Copper River School District	13.25
Cordova, City of	12.93
Cordova Community Hospital	8.57
Cordova Public Schools	14.45
Craig, City of	12.21
Craig, School District.	12.75
Dillingham, City of	10.17
Dillingham, City School District	17.63
Emmonak, City of	13.67
Fairbanks, City of	17.34
Fairbanks Public Utilities	17.34
Fairbanks North Star Borough	11.27
Fairbanks North Star Borough School District	11.27
Fort Yukon, City of	9.97
Galena, City of	13.86
Galena City Schools	10.80
Haines Borough	10.42
Haines, City of	9.86
Homer, City of	11.96
Hoonah, City of	11.96
Hoonah City Schools	17.15
Hydaburg City School District	11.54
Iditarod Area Schools	11.18

STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT FUND  
Employer Contribution Rates  
Fiscal Year 1986

Continued

<u>Employer</u>	<u>Percentage</u>
Juneau Borough Schools	15.08
Juneau, City and Borough of	12.16
Kake, City of	16.82
Kashunamiut School District	11.96
Kenai, City of	11.15
Kenai Peninsula Borough	14.68
Kenai Peninsula Borough School District	16.55
Ketchikan, City of	20.41
Ketchikan Gateway Borough	11.34
Ketchikan Gateway Borough School District	13.02
King Cove, City of	11.23
King Cove City School District	12.09
Kodiak, City of	15.50
Kodiak Island Borough	11.26
Kodiak Island Borough School District	12.65
Kotzebue, City of	11.47
Kuspuk School District	9.43
Lake & Peninsula School District	10.13
Lower Kuskokwim School District	10.58
Lower Yukon School District	11.12
Matanuska-Susitna Borough	13.29
Matanuska-Susitna Borough School District	13.29
Nenana, City of	15.09
Nenana City Public Schools	14.50
Nome, City of	15.14
Nome City Schools	15.71
Nome Joint Utilities	7.72
North Pacific Fisheries Mgt. Council	9.34
North Pole, City of	11.70
North Slope Borough	8.84
North Slope Borough School District	10.10
Northwest Arctic Borough	11.96
Northwest Arctic School District	10.12
Palmer, City of	15.37
Pelican, City of	11.96
Petersburg, City of	17.12
Petersburg General Hospital	17.12
Pribilof Region School District	11.05
Railbelt School District	10.19
Ruby, City of	11.96
Saint Marys, City of	16.94
Saint Paul, City of	10.55
Sand Point, City of	9.53
Sand Point City School District	11.88
Saxman, City of	11.96
Scammon Bay (Terminated from PERS July 31, 1985)	23.37

STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT FUND  
Employer Contribution Rates  
Fiscal Year 1986

Continued

<u>Employer</u>	<u>Percentage</u>
Seward, City of	13.15
Seward General Hospital	18.49
Sitka, City and Borough of	17.59
Sitka Community Hospital	11.27
Sitka Borough School District	17.59
Skagway, City of	13.93
Soldotna, City of	17.44
Southeast Islands School District	9.29
Southeast Regional Resource Center	10.30
Southwest Region Schools	9.67
Stebbins, City of (Terminated from PERS April 30, 1986)	21.32
Tanana, City of	11.09
Tanana City School District	11.48
Thorne Bay, City of	11.96
Unalakleet, City of	13.82
Unalaska, City of	10.08
Unalaska City Schools	12.16
Valdez, City of	10.86
Valdez City Schools	11.98
Wainright, City of	11.96
Wasilla, City of	11.79
Whittier, City of	12.56
Wrangell, City of	13.12
Wrangell City Schools	15.17
Yukon Flats School District	9.88
Yukon Koyukuk School District	9.94

# **TEACHERS' RETIREMENT SYSTEM**







# STATE OF ALASKA

## TEACHER'S RETIREMENT SYSTEM

### BOARD MEMBERS

#### NAME

DOROTHY WELLS, CHAIRPERSON

MERRITT C. OLSON, VICE-CHAIRMAN

CHARLES M. ARTEAGA

GARRIS (BOB) COVINGTON

STEPHANIE WINSOR

#### TERM EXPIRES

JUNE 30, 1987

JANUARY 31, 1989

JANUARY 31, 1987

JANUARY 31, 1988

JUNE 30, 1987



Peat, Marwick, Mitchell & Co.  
Certified Public Accountants  
Alaska Mutual Bank Building  
601 West 5th Avenue, Suite 700  
Anchorage, Alaska 99501

Division of Retirement and Benefits and  
Members of the Alaska Teachers' Retirement Board  
State of Alaska Teachers' Retirement System:

We have examined the statements of net assets available for benefits of the State of Alaska Teachers' Retirement System as of June 30, 1986 and 1985, and the related statements of changes in net assets available for benefits for the years then ended and the statement of accumulated plan benefits as of June 30, 1985. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial status of the Plan as of June 30, 1985, and the changes in its financial status for the year then ended, and information regarding net assets available for benefits and changes therein as of and for the year ended June 30, 1986, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Peat, Marwick, Mitchell & Co.*

September 25, 1986

STATE OF ALASKA  
TEACHERS' RETIREMENT SYSTEM

Statements of Net Assets Available for Benefits

June 30, 1986 and 1985

(in thousands)

	<u>1986</u>	<u>1985</u>
Assets:		
Investments, at fair value:		
Short-term investments	\$ 20,000	8,000
United States Government securities	370,699	342,802
Corporate bonds, notes and debentures	130,623	39,368
Common stocks	281,712	120,621
Foreign stocks	71,491	25,007
Foreign bonds	-	15,139
Real estate equity funds	64,860	61,574
Financial futures	1	1
Total investments	<u>939,386</u>	<u>612,512</u>
Loans and mortgages, at cost	<u>169,653</u>	<u>201,797</u>
Receivables:		
Contributions	8,470	13,037
Accrued interest and dividends	13,127	12,454
Total receivables	<u>21,597</u>	<u>25,491</u>
Cash	11,907	28,958
Total assets	<u>1,142,543</u>	<u>868,758</u>
Liability - accrued expenses	<u>893</u>	<u>2,425</u>
Net assets available for benefits	<u>\$ 1,141,650</u>	<u>866,333</u>

See accompanying notes to financial statements.

STATE OF ALASKA  
TEACHERS' RETIREMENT SYSTEM

Statements of Changes in Net Assets Available for Benefits

Years ended June 30, 1986 and 1985

(in thousands)

	<u>1986</u>	<u>1985</u>
Additions:		
Investment income:		
Net appreciation in fair value of investments (note 5)	\$ 103,643	78,418
Interest	112,119	69,320
Dividends	7,054	4,851
Total investment income	<u>222,816</u>	<u>152,589</u>
Contributions:		
State of Alaska and other employers	69,276	68,826
Employees	32,039	29,176
Total contributions	<u>101,315</u>	<u>98,002</u>
Total additions	<u>324,131</u>	<u>250,591</u>
Deductions:		
Benefits paid:		
Retirement	38,476	33,360
Medical	4,424	4,393
Total benefits paid	<u>42,900</u>	<u>37,753</u>
Refunds to terminated employees	3,311	3,126
Administrative expenses	2,603	2,951
Total deductions	<u>48,814</u>	<u>43,830</u>
Net increase	275,317	206,761
Net assets available for benefits:		
Beginning of year	<u>866,333</u>	<u>659,572</u>
End of year	\$ <u>1,141,650</u>	<u>866,333</u>

See accompanying notes to financial statements.

STATE OF ALASKA  
TEACHERS' RETIREMENT SYSTEM

Statement of Accumulated Plan Benefits

June 30, 1985

(in thousands)

Actuarial present value of accumulated benefits:

Vested benefits:

Participants currently receiving payments

\$ 382,711

Other participants

520,456

Total vested benefits

903,167

Nonvested benefits

48,746

Total actuarial present value of accumulated benefits

\$ 951,913

At June 30, 1984, the total actuarial present value of accumulated benefits was \$804,018. During the year ended June 30, 1985, there were no changes in the actuarial present value as a result of a change in actuarial assumptions (note 3).

See accompanying notes to financial statements.

STATE OF ALASKA  
TEACHERS' RETIREMENT SYSTEM

Notes to Financial Statements

June 30, 1986 and 1985

(1) Description of State of Alaska Teachers' Retirement System (Plan)

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

The Plan is a joint-contributor plan created by State of Alaska Statutes effective July 1, 1955. The Plan was established to provide benefits for teachers and other eligible participants.

Pension Benefits

General employees with eight or more years of credited service are entitled to annual pension benefits beginning at normal retirement age (55) equal to 2% of their highest three-year average monthly compensation for each year of service. The Plan permits early retirement at age 50. Employees may elect to receive their pension benefits in the form of a joint and survivor annuity. Effective January 1, 1987, a married member who retires must receive his benefit in the form of a joint and survivor annuity unless the member's spouse consents to another form of benefit. Minimum benefits for employees eligible for retirement are \$25 per month for each year of credited service. In addition, major medical benefits are provided.

Death and Disability Benefits

If an active employee, first hired under the Plan before July 1, 1982 is participating in the supplemental contribution provision, dies and is survived by a dependent child or children, the employee's spouse and children receive a survivor's allowance from the Plan. The amount of the survivor's allowance is determined by the participant's base salary and the number of dependent children. If an active employee was first hired under the Plan on or after July 1, 1982, is not participating in or eligible for coverage under the supplemental contribution provision and dies from an occupational cause, the spouse or beneficiary will receive a monthly pension from the Plan. The amount of the pension changes on the date the employee's normal retirement would have occurred if the employee had lived. The new benefit is based on the employee's average base salary at the time of his/her death and the credited service that would have accrued if the employee had lived and continued to work until normal retirement age.

If an employee with five or more paid-up years of membership service is not eligible for normal retirement benefits and becomes permanently disabled, the employee is entitled to a monthly benefit. The annual disability benefit is equal to 50% of the base salary at time of disablement plus an additional 10% of his/her base salary for each dependent child up to a maximum of four children.

(Continued)

STATE OF ALASKA  
TEACHERS' RETIREMENT SYSTEM

Notes to Financial Statements

Retirement Incentive Program

Legislation passed in May 1986 established a retirement incentive program designed to encourage eligible employees to voluntarily retire in order to reduce personnel service costs. The program is available to eligible employees until June 30, 1987, except for eligible University of Alaska employees where the program is available from October 1, 1986 to September 30, 1987.

(2) Summary of Significant Accounting Policies

Valuation of Investments

Investments, other than real estate equity fund and loans and mortgages, are carried at market value to reflect the asset values of the Plan as determined by the last quoted sales price at June 30, 1986 and 1985.

Real estate equity funds are stated at estimated market value as determined by the independent management of the investment accounts. These investments do not have a readily available market and generally represent long-term investments.

Loans and mortgages are serviced by the institution from which the loan is purchased. The policy of the Plan is to hold these investments until maturity and, accordingly, the investments are stated at cost. Loans and mortgages include approximately \$2,078,000 and \$2,440,000 for 1986 and 1985, respectively, of other real estate owned. Other real estate owned represents properties on which the Plan has foreclosed and is holding with the intent to resell.

Contributions Receivable

Contributions from employees and employers for service through June 30 are accrued. These contributions are considered fully collectible and, accordingly, no allowance for uncollectible receivables is considered necessary.

Investment Income Receivable

Investment income receivable represents amounts earned but not yet received as of June 30. These amounts are considered fully collectible and, accordingly, no allowance for uncollectible receivables is considered necessary.

(Continued)

STATE OF ALASKA  
TEACHERS' RETIREMENT SYSTEM

Notes to Financial Statements

(3) Actuarial Present Value of Accumulated Benefits

Accumulated benefits are those future periodic payments, including lump-sum distributions, that are attributable under the Plan's provision to the service employees have rendered. Accumulated benefits include benefits expected to be paid to retired or terminated employees or their beneficiaries, beneficiaries of employees who have died, and present employees or their beneficiaries. Benefits under the Plan are based on employees' compensation during their highest three years of credited service. The accumulated benefits for active employees are based on their average compensation during the three years ending on the date that the benefit information is presented (the valuation date). Benefits payable under all circumstances--retirement, death, disability, and termination of employment--are included, to the extent they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of accumulated benefits is determined by an actuary from William M. Mercer-Meidinger Incorporated and is that amount that results from applying actuarial assumptions to adjust the accumulated benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of June 30, 1985 are as follows:

- a. Actuarial cost method - attained age normal, also known as aggregate method with supplemental liability, unfunded accrued benefit liability amortized over 25 years.
- b. Mortality basis - 1971 Group Annuity Mortality Table.
- c. Retirement age - the average of age 60 and the earliest age for which unreduced retirement benefits will be available.
- d. Interest rate - 8% per annum, compounded annually, net of investment expenses.
- e. Health inflation - 8% per annum.
- f. Salary scale - increase of 8% per annum for the first five years of employment and 7% per year thereafter.

(Continued)



STATE OF ALASKA  
TEACHERS' RETIREMENT SYSTEM

Notes to Financial Statements

- g. Cost of living allowance (domicile in Alaska) - 49% of those receiving benefits will be eligible to receive the cost of living allowance.
- h. Contribution refunds - 100% of those terminating after age 35 with eight or more years of service will leave their contributions and thereby retain their deferred vested benefit. All others who terminate are assumed to have their contributions refunded.
- i. Asset valuation - three-year average ratio between market and cost values of the Plan's assets.

Turnover and disability assumptions are based upon actual historical occurrence rates of the Plan. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated benefits.

(4) Funding Policy

Employees' Contributions

Employees contribute 7% of their base salary as required by statute. A qualified member may make an additional contribution of 1% of his/her base salary. Contributions are collected by employers and remitted to the Plan.

Employer Contribution

The Employers' contribution rate is determined annually on an actuarial basis.

(5) Investments

During 1986 and 1985, the Plan's investments (including investments bought, sold, as well as held during the year) appreciated (depreciated) in value as follows:

	<u>1986</u>	<u>1985</u>
United States Government securities	\$ 48,917	48,352
Corporate bonds, notes and debentures	5,367	9,572
Common stock	35,049	15,008
Foreign stock	14,870	3,467
Foreign bonds	(935)	935
Real estate equity funds	<u>375</u>	<u>1,084</u>
	\$ <u>103,643</u>	<u>78,418</u>

HIGHLIGHTS

This report has been prepared by William M. Mercer-Meidinger, Incorporated to:

- (1) present the results of a valuation of the Alaska Teachers' Retirement System as of June 30, 1985;
- (2) review experience under the plan for the year ended June 30, 1985;
- (3) determine the contribution rates for the State for each school district in the system;
- (4) provide reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

The report is divided into two sections. Section 1 describes the basis of the valuation. It summarizes the plan provisions, provides information relating to the plan participants, and describes the funding methods and actuarial assumptions used in determining liabilities and costs.

Section 2 contains the results of the valuation. It includes the experience of the plan during the 1984-85 plan year, the current annual costs, and reporting and disclosure information.

The principle results are as follows:

	<u>1984</u>	<u>1985</u>
Funding Status as of June 30:		
(a) Valuation Assets*	\$ 674,382	\$ 833,617
(b) Present Value of Accrued Benefits*	804,018	1,042,551
(c) Accrued Benefit Funding Ratio (a) / (b)	83.9%	80.0%
Contributions for Fiscal Year	<u>1987</u>	<u>1988</u>
(a) Normal Cost	13.91%	11.62%
(b) Past Service Rate	3.45%	5.06%
(c) Total Contribution Rate	17.36%	16.68%

\* In thousands.

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data provided to us by the plan sponsor and financial information provided by the audited report from Peat, Marwick, Mitchell and Company, to determine a sound value for the plan liabilities. We believe that this value and the method suggested for funding it are in full compliance with the Employee Retirement Income Security Act of 1974, the Internal Revenue Code, and all applicable regulations.

Respectfully submitted,

A handwritten signature in cursive script that reads "Robert F. Richardson".

Robert F. Richardson, ASA  
Principal

RFR/js

March 17, 1986

## ANALYSIS OF THE VALUATION

### Actuarial Method and Assumptions

This actuarial report is the first to utilize the projected unit credit actuarial method. The actuarial assumptions remain unchanged since those adopted in March 1982. The Alaska statutes require that an experience analysis of the Systems' actuarial assumptions be performed at least every six years. Although changes have occurred since the last experience study, we still believe that the current actuarial assumptions are appropriate to determine liabilities and costs under the Teachers' Retirement System.

This change in funding method was made to conform to the accounting procedures which were adopted by the Governmental Accounting Standards Board (GASB) in December 1985. Under the prior actuarial funding method, the funding ratio would have been 87.6% while the total employer contribution rate would have been 17.14%.

### Investment Performance

During the 1985 fiscal year, the investment return rate, based upon market values, was 21.44% . . . clearly the highest return rate since the inception of TRS. Based upon the three-year smoothing approach used to determine valuation assets, the return rate during fiscal year 1985 was 14.44%.

### Health Inflation

For the first time since retiree health coverage became a benefit in TRS, there has been a decrease in the monthly premium. As reported in last year's actuarial report, we had projected the FY86 premium to decrease to \$165 per month. The actual premium for the year decreased to only \$168.25. Consequently, there was a very small actuarial loss from this assumption.

### Salary Increases

The third most important factor affecting costs and liabilities under TRS is the impact of inflation on salary increases. For the second straight year, salary increases on an average were less than the actuarial assumption. As of June 30, 1985, the average annual salary was \$41,238 . . . an increase of only 4.6% over the prior year.

Accordingly, there were actuarial gains from less-than-anticipated salary increases which contributed, along with the excellent investment performance, to the decrease in contribution rates.

### Membership Statistics

During the 8 1/2 year period from January 1, 1977 to June 30, 1985, there has been a steady trend upward in the average age, with average annual increases of .33 years. The age of the average teacher is now 40.04. This phenomenon continues to put upward pressure on costs and liabilities . . . thus dampening the beneficial affects of actuarial gains from investment and salary increases. Average credited service has held steady at just over 9.5 years.

### Retiree Statistics

There was a large increase in the number of new retirees during FY85, with 289 new benefit recipients added to the pension rolls. Average age at retirement increased slightly for the second year in a row. The average monthly retirement check for new retirees now exceeds \$2,000.

### Conclusions

Primarily due to the excellent investment performance during FY85, the total contribution rate decreased. Cost containment measures in the retiree health program, as well as a general slowing of medical inflation, both contributed to a smaller actuarial loss from health inflation than we have witnessed in several years. The change in actuarial funding methods led to a decrease in both the funding ratio and the employer contribution rate.

Section 1.3  
ACTUARIAL BASIS

Valuation of Liabilities

A. Actuarial Method - Projected Unit Credit. The unfunded accrued benefit liability is amortized over 25 years.

B. Method For Accumulated Plan Benefit Values

The actuarial present value of accumulated plan benefits (the term used for Financial Accounting Standards Board purposes) and present value of accrued benefits are a measure of plan benefits which have been earned to date. These are not only a valuation of retirement benefits, but also of deferred vested, death benefits, and other ancillary benefits. Earnings and service for benefit purposes which are expected to be earned after the valuation date are excluded from these values.

The actuarial assumptions used to determine these values are identical to those used for the funding purposes.

In estimating accumulated benefits, final average compensation is based on compensation data in the possession of the actuary.

C. Actuarial Basis

- |                     |   |
|---------------------|---|
| 1. Interest         | 8% per year, compounded annually, net of investment expenses.   |
| 2. Salary Scale     | 8% per year for the first five years of employment and 7% per year thereafter.  |
| 3. Health Inflation | 8% per year.  |
| 4. Mortality        | 1971 Group Annuity Mortality Table.   |
| 5. Turnover         | Based upon the 1980-81 actual total turnover experience. (See Table 1).   |
| 6. Disability       | Incidence rates in accordance with Table 2. Post-disability mortality in accordance with rates published by the Pension Benefit Guaranty Corporation to reflect mortality of those receiving disability benefits under Social Security. |

- |                         |  |
|-------------------------|--|
| 7. Retirement Age       | The average of age 60 and the earliest age for which unreduced retirement benefits will be available.  |
| 8. Spouse's Age         | Wives are assumed to be four years younger than husbands.  |
| 9. Contribution Refunds | 100% of those terminating after age 35 with eight or more years of service will leave their contributions in the System and thereby retain their deferred vested benefit. All others who terminate are assumed to have their contributions refunded. |
| 10. C.O.L.A.            | 49% of those receiving retirement benefits will be eligible for C.O.L.A.   |
| 11. Sick Leave          | 4.7 days of unused sick leave for each year of service will be available to be credited once the member is retired.  |
| 12. Expenses            | No loading for expenses.   |

Valuation of Assets

Based upon the three-year average ratio between market and book values of the System's assets. Assets are accounted for on an accrual basis.

Valuation of Medical Benefits

Medical benefits for retirees are provided by the payment of premiums from the trust fund. A pre-65 cost and lower post-65 cost (due to Medicare) were assumed such that the total rate for all retirees equals the present premium rate. These medical premiums are then increased with the health inflation assumption. The same method used for funding retirement benefits is also used to fund health benefits.

TABLE 1  
EMPLOYEE TURNOVER ASSUMPTIONS

Select Rates of Turnover  
During the First 3 Years  
of Employment

After 3 Years of  
Employment

<u>Year of Employment</u>	<u>Males</u>	<u>Attained Age</u>	<u>Rate</u>
1	.12	20	.1500
2	.26	21	.1500
3	.32	22	.1500
		23	.1500
		24	.1500
		25	.1500
		26	.1500
		27	.1500
		28	.1500
		29	.1500
		30	.1400
		31	.1300
		32	.1200
		33	.1100
		34	.1000
		35	.0900
		36	.0800
		37	.0800
		38	.0700
		39	.0700
		40	.0650
		41	.0650
		42	.0650
		43	.0600
		44	.0600
		45	.0600
		46	.0600
		47	.0550
		48	.0550
		49	.0550
		50	.0500
		51	.0500
		52	.0500
		53	.0500
		54	.0500
		55 and Up	.0000



TABLE 2

DISABILITY RATES  
ANNUAL RATES FOR 1,000 EMPLOYEES

<u>Age</u>	<u>Rate</u>
20	.70
21	.71
22	.72
23	.73
24	.74
25	.75
26	.76
27	.78
28	.80
29	.82
30	.84
31	.86
32	.88
33	.90
34	.93
35	.96
36	.99
37	1.03
38	1.07
39	1.11
40	1.15
41	1.20
42	1.27
43	1.36
44	1.48
45	1.62
46	1.76
47	1.91
48	2.07
49	2.23
50	2.40
51	2.60
52	2.86
53	3.18
54	3.56
55	4.00
56	4.59
57	5.34
58	6.10
59	7.20
60	8.43
61	9.75
62	11.30
63	13.05
64	14.90

Section 2.3  
CALCULATION OF TOTAL CONTRIBUTION  
RATE FOR FISCAL YEAR 1988 (in thousands)

Normal Cost Rate

(1) Total Normal Cost	\$ 67,534
(2) Total Salaries	358,110
(3) Normal Cost Rate (1) / (2)	18.86%
(4) Average Member Contribution Rate	7.24%
(5) Consolidated Employer Normal Cost Rate, (3) - (4)	11.62%

Past Service Rate

(1) Present Value of Accrued Benefits	\$1,042,551
(2) Valuation Assets	833,617
(3) Total Unfunded Liability, (1) - (2)	208,934
(4) 25-Year Amortization Factor	11.528758
(5) Past Service Payment, (3) / (4)	18,123
(6) Total Salaries	358,110
(7) Past Service Rate, (5) / (6)	5.06%

<u>Total Employer Contribution Rate</u>	16.68%
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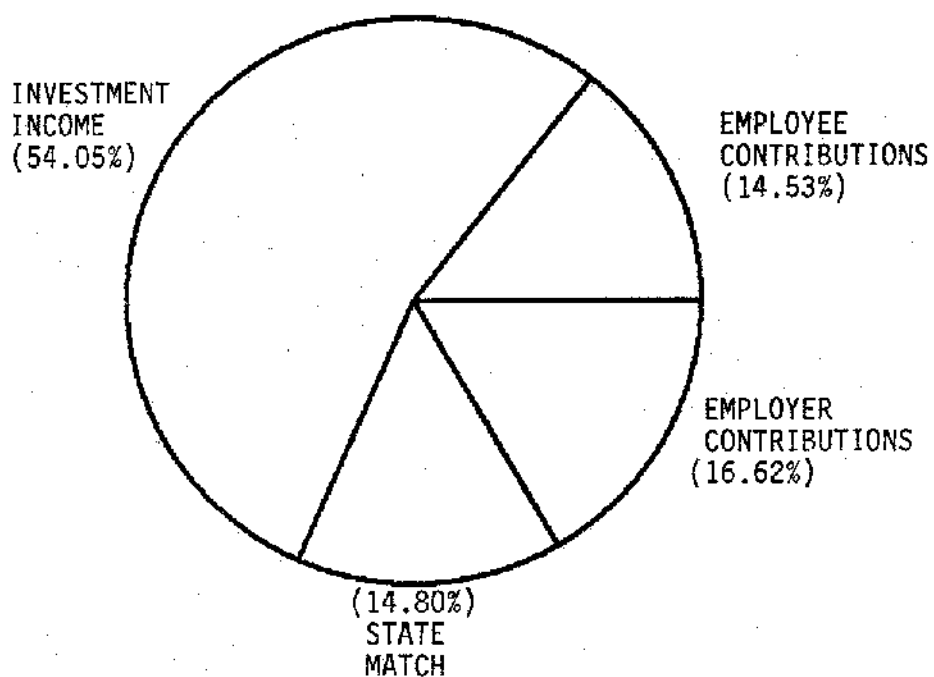
STATE OF ALASKA  
TEACHERS' RETIREMENT FUND  
Comparative Statement of Operations

	FISCAL YEAR ENDED	
	June 30, 1986	June 30, 1985
Beginning Equities and Reserves	\$ 866,333,672	\$ 659,572,326
Additions:		
Employees' Contributions:		
Mandatory	28,988,759	27,235,390
Supplemental	969,386	965,710
Reinstatement	302,682	190,257
Arrearage	1,160,803	740,333
Retroactive	30,335	43,957
Indebtedness Interest	587,056	851,999
Total Employees' Contributions	32,039,021	30,027,646
Employers' Contributions	36,637,019	34,993,756
State Contributions-Matching	32,638,698	33,832,085
Net Investment Income	119,172,931	73,312,456
Market Value Adjustment	103,643,000	78,418,155
Option I Suspense	-0-	7,245
Total Additions	324,130,669	250,591,343
Total Equities, Reserves and Additions	1,190,464,341	\$ 910,163,669
Deductions:		
Administrative Expenses		
Personnel Services	772,236	674,194
Travel and Moving	40,151	37,425
Contractual Services	321,916	646,521
Supplies and Materials	12,630	19,058
Machinery/Equipment	15,852	38,757
Grants/Interagency	1,439,800	1,535,319
Total Administrative Expenses	2,602,585	2,951,274
Employees' Contributions and Interest Refunded	3,311,113	3,126,205
Medical Benefit Expenses	4,424,300	4,393,200

STATE OF ALASKA  
TEACHERS' RETIREMENT FUND  
Comparative Statement of Operations

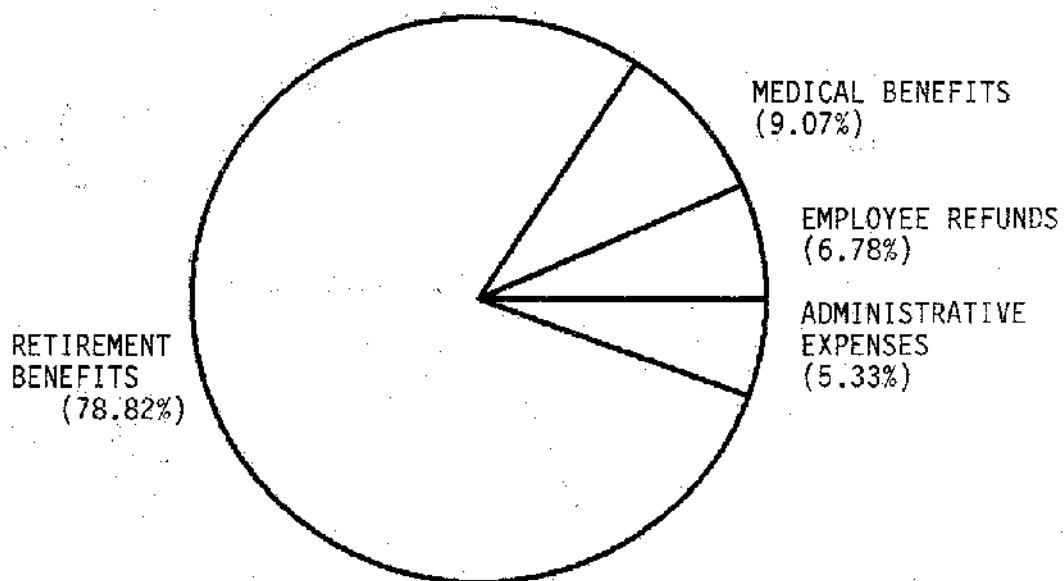
	FISCAL YEAR ENDED	
	<u>June 30, 1986</u>	<u>June 30, 1985</u>
Retirement Benefits Paid:		
Base Benefits	27,581,389	23,974,460
Cost of Living Allowance	1,941,998	1,669,673
Widow Annuity	389,560	335,587
Survivor Benefits	551,221	491,321
Disability Benefits	1,342,479	1,189,528
Post Retirement Pension Adjustment	6,563,789	5,565,559
Lump-Sum Benefits	61,807	118,942
Non-occupational Death Benefits	<u>43,945</u>	<u>14,248</u>
Total Retirement Benefits	38,476,188	33,359,318
Total Deductions	<u>48,814,186</u>	<u>43,829,997</u>
Ending Equities and Reserves-Adjusted	<u>\$1,141,650,155</u>	<u>\$866,333,672</u>

STATE OF ALASKA  
TEACHERS' RETIREMENT SYSTEM  
YEAR ENDED JUNE 30, 1986  
INCOME AND RECEIPTS  
\$220,487,669



STATE OF ALASKA  
TEACHERS' RETIREMENT SYSTEM  
YEAR ENDED JUNE 30, 1986

DISBURSEMENTS  
\$48,814,186

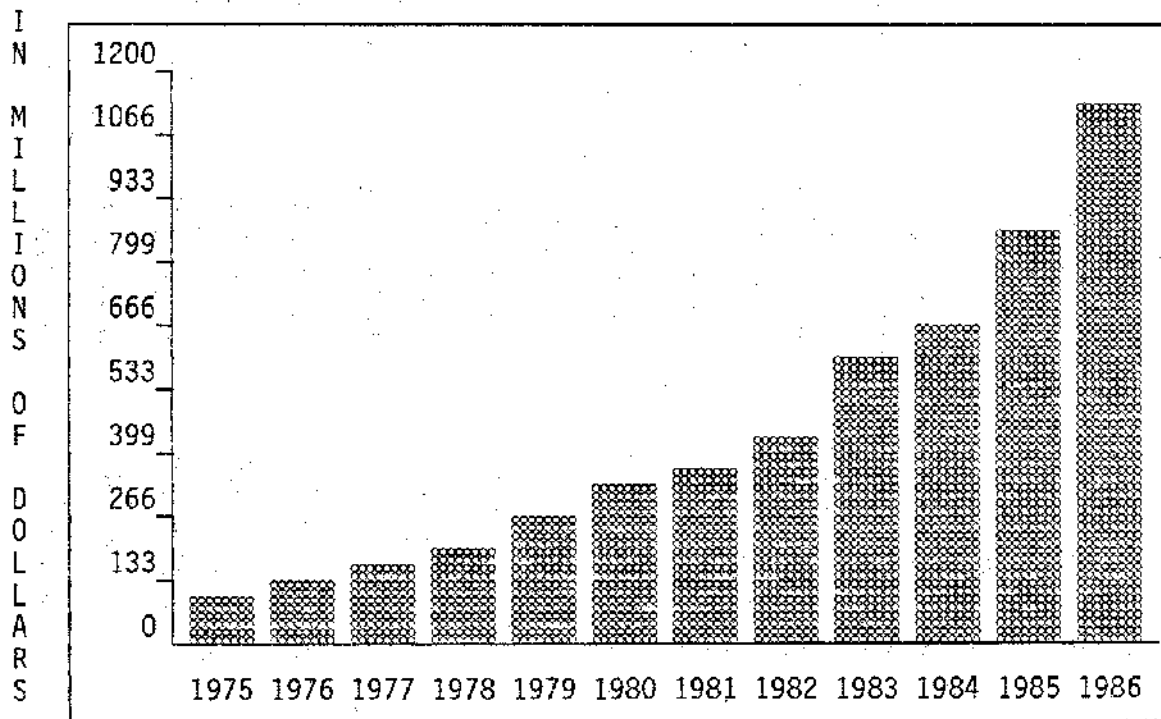


STATE OF ALASKA  
TEACHERS' RETIREMENT FUND  
Historical Data  
Fiscal Years 1975 through 1986  
(cents omitted)

Fiscal Year	Assets Fiscal Year End	State of Alaska and Employers' Contributions During Fiscal Year	Employees' Contributions During Fiscal Year	Benefits Paid Including Medical Expenses & Death Benefits	Employees' Contributions and Interest Refunded During Fiscal Year	Net Investment Income During Fiscal Year
1975	105,797,313	11,526,213	9,147,206	4,574,494	1,896,431	1,844,773
1976	137,623,382	19,348,436	11,590,177	6,390,012	1,926,611	9,240,962
1977	177,345,467	24,030,230	12,162,883	8,161,421	1,859,829	13,583,578
1978	215,370,551	19,792,849	15,510,483	11,025,589	2,319,376	16,051,252
* 1979	267,043,332	26,558,644	15,142,057	13,838,067	2,419,936	22,311,725
1980	320,314,293	31,243,171	16,650,594	16,462,399	3,087,910	31,783,301
1981	373,253,081	37,653,917	18,853,076	20,004,135	3,172,253	39,180,591
1982	443,528,571	50,856,750	21,735,042	22,881,444	2,974,426	30,900,759
1983	591,382,599	54,717,900	24,546,266	26,360,363	2,509,240	62,075,568
1984	659,572,326	63,315,499	27,256,918	31,048,570	3,094,220	60,586,110
1985	866,333,672	68,825,841	29,175,647	37,752,518	3,126,205	73,312,456
1986	1,141,650,155	69,275,717	32,039,021	42,900,488	3,311,113	119,172,931

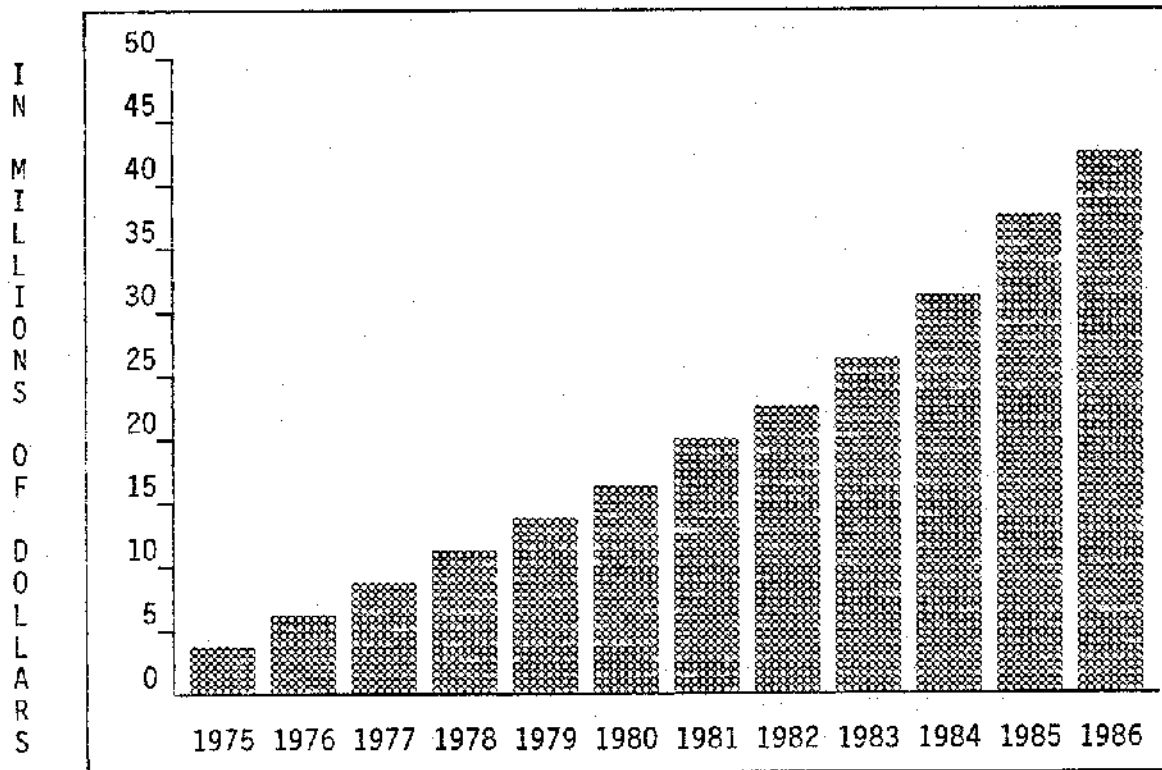
\* Figures presented on an accrual basis effective FY 1979.

STATE OF ALASKA  
TEACHERS' RETIREMENT FUND  
TOTAL ASSETS  
FISCAL YEARS 1975 THROUGH 1986





STATE OF ALASKA  
TEACHERS' RETIREMENT FUND  
BENEFITS PAID  
FISCAL YEARS 1975 THROUGH 1986



STATE OF ALASKA  
TEACHERS' RETIREMENT FUND  
Employer Contribution Rates  
Fiscal Year 1986

<u>Employer</u>	<u>Percentage</u>
Adak Region School District	8.88
Alaska Gateway Schools	
Alaska, University of	
Alaska, University of, Geophysical Institute	
Aleutian Region School District	S
Anchorage School District	A
Annette Island School District	M
Association of Alaska School Boards	E
Bering Straits School District	
Bristol Bay Borough School District	F
Chatham School District	O
Chugach Regional School District	R
Copper River School District	
Cordova School District	A
Craig School District	L
Delta-Greely School District	L
Department of Education, State of Alaska	E
Dillingham School District	M
Fairbanks North Star Borough School District	P
Galena City School District	L
Haines City Schools	O
Hoonah City Schools	Y
Hydaburg City School District	E
Iditarod Area School District	R
Juneau Borough School District	S
Kake City Schools	
Kashunamiut School District	
Kenai Peninsula Borough School District	
Ketchikan Gateway Borough School District	
King Cove City School District	
Klawock City Schools	
Kodiak Island Borough School District	
Kuspuk School District	
Lake and Peninsula School District	
Lower Kuskokwim School District	
Lower Yukon School District	
Matanuska-Susitna Borough School District	
National Education Association	
Nenana City Public Schools	
Nome City Schools	
North Slope Borough School District	
Northwest Arctic School District	
Pelican School District	

STATE OF ALASKA  
TEACHERS' RETIREMENT FUND  
Employer Contribution Rates  
Fiscal Year 1986

Continued

<u>Employer</u>	<u>Percentage</u>
Petersburg City Schools	8.88
Pribilof Region School District	
Railbelt School District	
Sand Point City School District	
Sitka Borough School District	
Skagway City School District	
Southeast Islands School District	
Southeast Regional Resource Center	
Southwest Region School District	
Saint Mary's School District	
State Legislature	
Tanana School District	
Unalaska School District	
Valdez City Schools	
Wrangell Public Schools	
Yakutat School District	
Yukon Flats School District	
Yukon Koyukuk School District	
Yupitt School District	

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# INVESTMENTS





ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD AT

June 30, 1986

(IN THOUSANDS)

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Par Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Yield</u>
<b>OTHER SHORT TERM INVESTMENTS</b>						
Commercial Paper/Finance	6.91%	09-02-86	\$30,000,000	\$30,000,000	\$30,000,000	6.92%
General Motors Accep Corp Reg			30,000,000	30,000,000	30,000,000	6.92%
<b>Total</b>						
<b>Repurchase Agreements</b>						
Repurchase Agreement	7.27%	07-01-86	2,900,000	2,900,000	2,900,000	7.27%
Repurchase Agreement	5.90%	07-01-86	2,000,000	2,000,000	2,000,000	5.90%
			4,900,000	4,900,000	4,900,000	6.71%
<b>Total</b>			\$34,900,000	\$34,900,000	\$34,900,000	

ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD AT

JUNE 30, 1986

(IN THOUSANDS)

(CONTINUED)

OTHER BONDS, NOTES, AND DEBENTURES	Interest Rate	Maturity Date	Par Value	Cost	Market Value	Yield
<u>Corporate/Finance</u>						
Ford Motor Credit Company	6.76	07-29-86	\$17,000	\$17,000	\$17,000	6.77
Total			\$17,000	\$17,000	\$17,000	6.77
<u>Corporate/Industrial</u>						
American Std Inc Deb	12.37	08-01-10	\$ 3,000	\$ 3,279	\$ 3,278	11.33
Anheuser Busch Cos Inc Deb	11.87	10-01-12	7,000	7,787	7,770	10.70
Atlantic Richfield Co Deb	12.50	09-15-12	6,000	6,133	6,743	11.12
Dayton Hudson Corp Deb	11.25	11-15-15	6,000	6,664	6,667	1.22
K Mart Corp Deb	12.75	03-01-15	10,000	10,875	11,113	11.47
Kellogg Co Deb	12.25	02-15-15	5,000	5,794	5,637	10.86
Mobil Corp Deb	14.40	06-15-04	15,000	16,037	17,325	12.47
Penney J C Inc Deb	12.37	11-01-14	6,000	6,464	6,585	11.28
Pillsbury Co Deb	11.12	11-15-15	12,000	12,762	13,035	10.24
Ralston Purina Co Deb	12.87	10-15-14	10,000	10,762	11,012	11.69
Reynolds R J Inds Inc Deb	13.35	10-01-12	8,000	8,852	9,118	11.71
Sears Roebuck & Co Deb	11.87	12-01-14	6,000	6,788	6,690	10.65
Total			\$94,000	\$102,197	\$104,973	7.69
<u>Corporate/Utility</u>						
Florida PWR & LT Co 1st Mtg	12.37	03-01-13	\$ 6,000	\$ 6,679	\$ 6,660	11.15
Mountain Sts Tel & Teleg Co Deb	12.25	02-01-25	6,000	6,748	6,855	10.72
New York Tel Co Deb	12.25	12-31-24	6,000	6,773	6,900	10.65
Pacific Bell Deb	12.75	04-01-25	6,000	6,398	7,440	10.28
Pacific Gas & Elec Co 1st & Ret Mtg Ser	13.00	09-01-16	10,000	10,447	11,275	11.53
Public Svc Elec & Gas Co 1st Ref Mtg	12.12	12-01-12	6,000	6,606	6,630	10.97
Southern Calif Edison Co 1st & Ref Mtg	13.00	03-15-15	6,000	6,562	6,757	11.54
Southwestern Bell Tel Co Deb	12.75	02-15-25	8,000	8,634	9,510	10.73
Texas Utils Elec Co 1st Mtg & Coll TR	12.87	02-15-25	8,000	8,650	8,990	11.46
Union Elec Co 1st Mtg	10.00	03-01-13	6,000	6,735	7,118	8.43
Total			\$68,000	\$74,232	\$78,135	10.80



ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD AT

JUNE 30, 1986

(IN THOUSANDS)

(CONTINUED)

UNITED STATES GOVERNMENT SECURITIES		Interest Rate	Maturity Date	Par Value	Cost	Market Value	Yield
U.S. Treasury Bonds and Notes							
U.S. Treasury Bonds							
		11.75	02-15-01	\$ 30,000	\$ 33,713	\$ 39,816	8.85
		13.12	05-15-01	5,000	5,759	7,220	9.09
		13.37	08-15-01	20,000	21,303	29,350	9.11
		14.25	02-15-02	30,000	38,288	46,481	9.20
		11.62	11-15-02	25,000	25,717	33,266	8.74
		10.75	05-15-02	30,000	31,388	37,715	8.55
		11.12	08-15-03	25,000	25,031	32,258	8.62
		11.87	11-15-03	45,000	47,309	61,270	8.72
U.S. Treasury Notes							
		13.00	11-15-90	15,000	15,852	17,976	10.85
		14.25	11-15-91	15,000	16,319	19,326	11.06
		10.50	11-15-92	10,000	9,870	11,438	9.18
		10.00	12-31-86	30,000	30,375	30,516	9.83
		10.87	02-15-93	20,000	20,794	23,337	9.32
		10.12	05-15-93	40,000	39,867	45,287	8.94
		11.75	11-15-88	10,000	9,969	10,978	10.70
		11.12	09-30-87	10,000	10,006	10,515	10.58
		11.00	11-15-86	30,000	30,506	30,478	10.83
		11.75	11-15-86	14,000	14,376	17,141	9.60
		13.12	05-15-94	14,000	15,385	18,393	9.99
		12.37	08-31-86	30,000	30,724	30,272	12.26
		10.37	11-20-86	30,000	30,513	30,459	10.22
Total		6.76		\$478,000	\$503,064	\$583,492	9.54

ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD AT

JUNE 30, 1986

(IN THOUSANDS)

(CONTINUED)

<u>Common Stock</u>	<u>Shares</u>	<u>Cost</u>	<u>Market</u>
Aetna Life and Casualty Company	19,300	\$ 907	\$ 1,170
Ahmanson HF and Company	195,000	2,029	5,387
Alco Standard Corporation	66,500	2,233	2,826
Amerada Hess Corporation	10,300	229	206
American Electric Power, Inc.	54,400	1,143	1,448
American Express Company	64,000	4,210	4,000
American General Corporation	73,000	2,086	3,075
American Home Products Corporation	32,000	1,767	2,880
American International Group	4,700	399	606
American International Group	21,300	1,527	2,745
American Standard, Inc.	68,000	2,044	2,865
Assoc Dry Goods Corporation	21,500	834	1,408
Atlantic Richfield Company	47,400	2,491	2,465
Atlantic Richfield Company	51,000	2,588	2,652
Automatic Data Processing, Inc.	100,000	2,984	3,538
Baker International Corporation	116,000	1,997	1,523
Bally Manufacturing Corporation	115,900	2,010	2,434
Beverly Enterprises	176,000	3,090	3,850
Boeing Company	48,500	2,021	3,055
Boston Edison Company	12,100	619	616
Bristol Meyers Company	51,000	3,140	4,386
Burroughs Corporation	5,500	344	338
CBS, Inc.	9,800	1,267	1,416
CPC International, Inc.	42,700	1,774	3,117
Chase Manhattan Corporation	14,600	386	648
Chemical New York Corporation	26,200	1,121	1,343
Chubb Corporation	55,500	4,088	3,830
Citicorp	68,600	3,395	4,099
Commonwealth Edison Company	91,500	2,721	2,939
Consolidated Freightways, Inc.	91,750	1,771	2,982
Continental Corporation	44,700	2,108	2,151
Cooper Industries, Inc.	61,000	2,020	2,486
Corning Glass Works	57,000	4,115	4,154
Dart and Kraft, Inc.	30,300	1,194	1,920
Deere and Company	33,900	953	966
Digital Equipment Corporation	20,000	985	1,715
Dover Corporation	67,500	2,508	2,801
Dow Chemical Company	50,000	1,599	2,869
Dow Chemical Company	74,000	3,037	4,246
EI Dupont De Nemours and Company	16,500	1,027	1,374
Eastman Kodak Company	35,200	1,633	2,064
Federation Department Stores, Inc.	34,500	1,912	3,066
Fluor Corporation	154,000	2,596	2,503

ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD AT

JUNE 30, 1986

(IN THOUSANDS)

(CONTINUED)

<u>Common Stock</u>	<u>Shares</u>	<u>Cost</u>	<u>Market</u>
Ford Motor Company Del	75,000	2,532	4,134
GTE Corporation	81,100	3,416	4,389
General Dynamics Corporation	34,800	2,467	2,662
General Electric Company	43,000	2,454	3,483
General Electric Company	35,700	2,152	2,843
General Motors Corporation	27,900	2,119	2,166
General RE Corporation	46,800	818	2,925
Georgia PAC Corporation	46,200	1,155	1,449
Golden West Financial Corporation Del	125,900	4,331	5,335
Goodyear Tire and Rubber Company	41,000	1,206	1,353
Grace WR and Company	18,000	875	970
Greyhound Corporation	38,800	1,364	1,368
Gulf and Western Industries, Inc.	70,900	4,386	5,043
Halliburton Company	50,600	1,091	1,126
Harcourt Brace Jovanovich, Inc.	121,500	2,236	4,350
Hewlett Packard Company	61,500	2,095	2,522
Hewlett Packard Company	52,500	2,070	2,153
Home Federal Services and Loan Association, San Diego, California	100,000	3,402	3,750
Hospital Corporation America	95,100	3,485	3,614
ITT Corporation	61,000	2,116	3,317
ITT Corporation	77,500	3,007	4,214
International Business Machines Corporation	18,900	2,391	2,769
International Business Machines Corporation	71,100	9,667	10,416
International Minerals and Chemical Corporation	72,700	2,657	2,408
Johnson and Johnson	42,100	2,031	3,057
K-MART Corporation	31,500	1,086	1,791
Kimberly Clark Corporation	50,000	3,296	4,581
Lear Siegler, Inc.	44,100	1,992	2,409
Lilli Eli and Company	55,000	3,017	4,448
Lilli Eli and Company	38,600	1,248	3,122
Limited, Inc.	60,000	1,908	2,025
Lockheed Corporation	51,000	2,511	2,843
Loews Corporation	54,000	2,917	3,713
Mapco, Inc.	67,500	2,407	3,122
Marine Midland Bks, Inc.	70,900	3,025	3,687
McDonald's Corporation	39,750	1,408	2,676
Melville Corporation	42,000	1,733	2,982
Merck and Company, Inc.	31,400	1,822	3,281
Merck and Company, Inc.	31,000	1,746	3,239
Millipore Corporation	56,000	1,096	1,918
Minnesota Mining and Manufacturing Company	27,000	2,289	3,071

ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD AT

JUNE 30, 1986

(IN THOUSANDS)

(CONTINUED)

<u>Common Stock</u>	<u>Shares</u>	<u>Cost</u>	<u>Market</u>
Morton Thiokol, Inc.	56,600	1,846	1,907
NCR Corporation	60,000	1,858	3,082
New York State Electric and Gas Corporation	39,500	1,103	1,303
Northern Industries Public Service Company	132,500	1,578	1,557
Ohio Gas Corporation	31,500	1,970	2,630
Owen's Corning Fiberglass Corporation	62,500	2,367	3,000
Pacific Telesis Group	33,300	1,511	1,869
Panhandle Eastern Corporation	8,000	286	385
Penny J.C., Inc.	57,000	3,763	4,859
Pepsico, Inc.	93,600	1,520	3,159
Phibro Salomon, Inc.	47,000	1,665	2,285
Phillip Morris Companies, Inc.	38,900	1,593	2,903
Piedmont Aviation, Inc.	38,900	1,309	1,546
Pioneer Hi-Bred International, Inc.	78,600	3,194	3,203
Polaroid Corporation	26,500	1,024	1,935
Proctor and Gamble Company	37,000	2,123	2,965
Proctor and Gamble Company	26,300	1,662	2,107
Public Service Enterprise, Inc.	36,400	1,130	1,360
RJR Nabisco, Inc.	28,000	1,094	1,484
Raytheon Company	25,000	1,608	1,591
Raytheon Company	46,000	2,080	2,927
Royal Dutch Petroleum Company NY Registry			
Sh Par	37,000	2,049	2,979
St. Paul Companies, Inc.	60,400	2,811	2,733
Salomon, Inc.	5,000	277	243
Sanders Associates, Inc.	42,200	1,375	2,268
Schering-Plough Corporation	46,000	2,766	3,881
Schlumberger, Ltd.	91,000	3,338	3,128
Sears Roebuck and Company	91,100	3,348	4,418
Sears Roebuck and Company	80,000	3,562	3,880
Singer Company	50,000	1,623	2,794
Smithkline Beckman Corporation	29,000	2,020	2,907
Smithkline Beckman Corporation	14,800	1,335	1,484
Southwestern Bell Corporation	27,800	2,398	3,044
Sperry Corporation	6,433	312	487
Syntex Corporation	61,600	2,975	4,374
Tenneco, Inc.	80,100	3,153	3,184
Texaco, Inc.	44,700	1,550	1,408
Texas Instruments, Inc.	12,900	1,448	1,540
Textron, Inc.	47,500	2,460	2,708
Time, Inc.	53,000	4,020	4,651
Times Mirror Company	63,500	3,945	4,429
Transco Energy Company	6,300	328	312

ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD AT

JUNE 30, 1986

(IN THOUSANDS)

(CONTINUED)

<u>Common Stock</u>	<u>Shares</u>	<u>Cost</u>	<u>Market</u>
Transco Exl Partners, Ltd. Depositary UWI	315		5
Transworld Corporation	12,300	352	417
Travelers Corporation	28,000	967	1,150
UAL, Inc.	38,200	2,115	2,096
USF and G Corporation	55,100	2,113	2,197
Union Carbide Corporation	59,300	1,238	1,253
United States Stl Corporation	132,800	2,807	2,739
United States Shoe Corporation	16,900	352	416
United Technologies Corporation	48,800	2,014	2,416
UpJohn Company	42,000	4,065	3,974
Varian Associates, Inc.	18,200	546	469
Walmart Stores, Inc.	92,000	4,061	4,773
Warner Communications, Inc.	69,000	2,699	3,899
Warner Lambert Company	17,500	615	1,083
Waste Management Inc.	90,000	4,103	4,500
Wells Fargo and Company	45,000	3,329	4,781
Whirlpool Corporation	20,000	958	1,558
Whirlpool Corporation	41,000	1,886	3,193
 Total Common Stock		299,523	382,714
 U.S. Treasury Bills	52,915	55,191	55,190
 Income and Principal Cash		1,966	1,965
 Total		<u>\$356,680</u>	<u>\$439,869</u>

ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD AT

JUNE 30, 1986

(IN THOUSANDS)

(CONTINUED)

	<u>Cost</u>	<u>Market</u>	<u>Yield</u>
<u>Foreign Investments Managed By</u>			
Morgan Guaranty Trust Equities	<u>\$42,038</u>	<u>\$ 53,959</u>	
Total Morgan Guaranty Trust	42,038	53,959	2.11
Citibank Equities	<u>40,519</u>	<u>56,264</u>	
Total Citibank	40,519	56,264	2.49
Total Foreign Investments	<u>\$82,557</u>	<u>\$110,223</u>	
<u>Financial Futures</u>			
Discount Corporation of NY	<u>\$ 1</u>	<u>\$ 1</u>	
Real Estate Equity Fund	<u>\$89,321</u>	<u>\$97,994</u>	
Total Real Estate Equity Fund	<u>\$89,321</u>	<u>\$97,994</u>	

ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD AT

JUNE 30, 1986

(IN THOUSANDS)

(CONTINUED)

Real Estate Mortgages  
and SBA Loans

	<u>Interest Rate Range</u>	<u>Out- Standing Cost</u>	<u>Weighted Average Yield</u>
<u>SBA Loans Services By</u>			
Alaska Mutual Bank	9.50	\$ 36	9.00
Alaska Statebank	10.50	20	10.00
First Bank	9.75	6	9.38
First National Bank of Fairbanks	15.75	455	15.69
National Bank of Alaska	8.00 - 10.50	128	8.11
Rainier Bank Alaska	8.00	16	7.50
Total SBA Loans		<u>\$661</u>	

Bureau of Indian Affairs  
Serviced By

National Bank of Alaska	10.50	<u>\$929</u>	10.31
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Farmers Home Administration Loan  
Serviced By

National Bank of Alaska	9.75	<u>\$1,399</u>	9.56
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Conventional/Residential Mortgages  
Serviced By

Alaska Continental Bank	13.50 - 14.50	\$ 1,924	13.73
Alaska Federal Savings and Loan	9.25 - 16.50	3,279	12.90
Alaska Mutual Savings Bank	9.37 - 17.25	7,514	11.08
Alaska National Bank	9.37 - 14.50	7,203	10.07
Alaska Pacific Bank	9.37 - 15.75	9,834	11.84
Alaska Pacific Mortgage Company	13.50 - 15.50	7,509	13.87
Alaska Statebank	9.37 - 16.75	16,519	11.13
Arctic First Federal Savings & Loan	9.50 - 11.75	745	10.02
FedAlaska Federal Credit Union	13.50 - 14.50	1,287	14.04
First Alaska Mortgage	13.00 - 15.12	355	14.37
First Bank	9.37 - 14.50	1,018	10.81
First Federal Bank of Alaska	9.87 - 16.50	8,141	13.90

# ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

## SCHEDULE OF INVESTMENTS HELD AT

JUNE 30, 1986

(IN THOUSANDS)

(CONTINUED)

Real Estate Mortgages  
and SBA Loans - Continued:

	Interest Rate Range	Out- Standing Cost	Weighted Average Yield
First Interstate Bank of Alaska	8.00 - 16.75	\$ 3,694	12.70
First National Bank of Anchorage	9.25 - 16.50	20,764	11.89
First National Bank of Fairbanks	9.87 - 15.75	4,292	12.63
Home Savings and Loan	9.50 - 16.12	8,497	10.65
Kissell Mortgage Company	6.25 - 17.25	107,016	12.85
Lomas and Nettleton Company	14.00	57	13.69
National Bank of Alaska	10.50 - 16.00	1,719	12.38
Peoples Mortgage Company	10.25 - 10.50	695	10.22
Peninsula Savings and Loan	11.50 - 15.50	560	14.43
Rainier Bank Alaska	9.50 - 11.00	1,484	10.11
Seafirst Corporation	9.25 - 14.87	11,496	11.00
Security National Bank	10.75 - 16.75	4,510	14.04

Total Conventional/Residential  
Mortgages

\$230,112

FHA Mortgages Serviced By

Alaska Mutual Bank	6.75 - 16.75	\$ 327	7.80
Alaska National Bank	7.50 - 8.50	146	7.80
Alaska Pacific Bank	11.50	373	11.56
Alaska Statebank	5.25 - 10.50	950	7.49
First National Bank of Anchorage	5.25 - 9.00	944	7.69
National Bank of Alaska	5.25 - 8.50	630	7.21
Rainier Financial Services	5.75 - 7.50	523	7.15
Washington Mortgage Company	7.00	788	7.87

Total FHA Mortgages

\$ 4,681

Total Real Estate Mortgages  
and SBA Loans

\$237,782



ALASKA TEACHERS' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD AT

JUNE 30, 1986

(IN THOUSANDS)

<u>OTHER SHORT-TERM INVESTMENTS</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Shares/ Par Value</u>	<u>Carrying Value</u>	<u>Market Value</u>	<u>Yield</u>
<u>Repurchase Agreements</u>						
Commercial Paper/Finance	6.91%		20,000,000	20,000,000	20,000,000	6.92%
General Motors Accept Corp Reg		09-02-86	20,000,000	20,000,000	20,000,000	6.92%
Total						

ALASKA TEACHERS' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD AT

JUNE 30, 1985

(IN THOUSANDS)

(CONTINUED)

OTHER BONDS, NOTES, AND DEBENTURES	Interest Rate	Maturity Date	Par Value	Cost	Market Value	Yield
<u>Corporate/Finance</u>						
Ford Motor Credit Company	6.76	07-29-86	\$13,000	\$13,000	\$13,000	6.77
Total			\$13,000	\$13,000	\$13,000	6.77
<u>Corporate/Industrial</u>						
American Std. Inc Deb	12.37	08-01-10	\$ 2,000	\$ 2,186	\$ 2,185	11.33
Anheuser Busch Cos Inc Deb	11.87	01-01-12	3,000	3,337	3,330	10.70
Atlantic Richfield Co Deb	12.50	09-15-12	4,000	4,158	4,495	11.12
Conoco Inc Deb	13.25	01-15-11	4,000	4,250	4,495	11.79
Dayton Hudson Corp Deb	11.25	11-15-15	4,000	4,442	6,667	1.22
K MART Corp Deb	12.75	03-01-15	6,000	6,515	6,667	11.47
Kellogg Co Deb	12.25	02-15-15	3,000	3,476	3,382	10.86
Mobil Corp Deb	14.40	06-15-04	10,000	10,744	11,550	12.47
Penny J C Inc Deb	12.37	11-01-14	4,000	4,309	4,390	11.28
Pillsbury Co Deb	11.12	11-15-15	8,000	8,508	8,690	10.24
Ralston Purina Co Deb	12.87	10-15-14	6,000	6,405	6,607	11.69
Reynolds R J Inds Inc Deb	13.35	10-01-12	5,000	5,484	5,699	11.71
Sears Roebuck & Co Deb	11.87	12-01-14	4,000	4,525	4,460	10.65
Total			\$63,000	\$68,340	\$72,619	7.73
<u>Corporate/Not Convertible-Utility</u>						
Mountain Sts Tel & Teleg Co Deb	12.25	02-01-25	\$ 4,000	\$ 4,499	\$ 4,570	10.72
New York Tel Co Deb	12.25	12-01-24	4,000	4,515	4,600	10.65
Pacific Bell Deb	12.75	04-01-25	4,000	4,265	4,960	10.28
Pacific Gas & Elec Co 1st & Ref Mtg Ser	13.00	09-01-16	6,000	6,168	6,765	11.53
Public Svc Elec & Gas Co 1st & Ref Mtg S	12.12	12-01-12	4,000	4,366	4,420	10.97
Southern Calif Edison Co 1st & Ref Mtg S	13.00	03-15-15	4,000	4,375	4,505	11.54
Southwestern Bell Tel Co Deb	12.75	02-15-25	5,000	5,386	5,944	10.73
Texas Utils Elec Co 1st Mtg Coll	12.87	04-01-15	4,000	4,444	4,495	11.46
Union Elec Co 1st Mtg	10.00	03-01-13	4,000	4,490	4,475	8.43
Total			\$39,000	\$45,508	\$45,004	10.73

ALASKA TEACHERS' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD AT

JUNE 30, 1986

(IN THOUSANDS)

(CONTINUED)

UNITED STATES GOVERNMENT SECURITIES		Interest Rate	Maturity Date	Par Value	Cost	Market Value	Yield
U.S. Direct Obligations							
U.S. Treasury Bonds							
		11.75	02-15-01	\$ 15,000	\$ 16,856	\$ 19,908	8.85
		13.37	08-15-01	13,000	13,787	19,078	9.11
		14.25	02-15-02	20,000	25,525	30,987	9.20
		11.62	11-15-02	25,000	25,717	33,265	8.74
		10.75	05-15-03	15,000	15,694	18,858	8.55
		11.12	08-15-03	15,000	15,019	19,355	8.62
		11.87	11-15-03	37,000	38,857	50,378	8.72
U.S. Treasury Notes							
		13.00	11-15-90	15,000	15,851	17,976	10.85
		14.25	11-15-91	15,000	16,319	19,326	11.06
		10.87	02-15-93	10,000	10,400	11,669	9.32
		10.12	05-15-93	20,000	19,886	22,644	8.94
		11.75	11-15-88	10,000	10,047	10,978	10.70
		11.00	11-15-86	20,000	20,338	20,319	10.83
		11.75	11-15-93	14,000	14,376	17,141	9.60
		13.12	05-15-94	14,000	15,385	18,392	9.99
		12.37	08-31-86	30,000	30,724	30,272	12.26
		10.37	11-30-86	10,000	10,171	10,153	10.22
Total				\$298,000	\$314,952	\$370,699	9.64

ALASKA TEACHERS' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD AT

JUNE 30, 1986

(IN THOUSANDS)

(CONTINUED)

<u>Common Stock</u>	<u>Shares</u>	<u>Cost</u>	<u>Market</u>
Aetna Life and Casualty Company	12,500	\$ 584	\$ 758
Alco Standard Corporation	43,000	1,433	1,828
Amerada Hess Corporation	6,600	147	132
American Electric Power Company	33,900	711	903
American Express Company	41,000	2,710	2,562
American General Corporation	47,000	1,641	1,980
American Home Products Corporation	21,000	1,169	1,890
American International Group, Inc.	13,400	943	1,727
American International Group, Inc.	10,100	1,107	1,302
American Standard, Inc.	44,100	1,301	1,858
Associated Dry Goods Corporation	14,000	543	917
Atlantic Richfield Company	33,000	1,675	1,716
Atlantic Richfield Company	30,800	1,619	1,602
Automatic Data Processing, Inc.	28,000	709	990
Baker International Corporation	76,000	1,259	997
Bally Manufacturing Corporation	80,000	1,406	1,680
Beverly Enterprises	114,000	2,002	2,493
Boeing Company	31,600	1,315	1,991
Boston Edison Company	7,800	399	397
Bristol Meyers Company	32,000	1,981	2,752
Burroughs Corporation	3,600	225	221
CBS, Inc.	6,400	828	925
CPC International, Inc.	28,000	1,166	2,044
Chase Manhattan Corporation	9,400	248	417
Chemical New York Corporation	17,000	727	871
Chubb Corporation	35,600	2,619	2,456
Citicorp	44,500	2,190	2,659
Commonwealth Edison Company	59,600	1,770	1,915
Consolidated Freightways, Inc.	59,700	1,119	1,940
Continental Corporation	29,000	1,367	1,396
Cooper Industries, Inc.	40,000	1,339	1,630
Corning Glassworks	36,000	2,599	2,623
Dart and Kraft, Inc.	19,800	780	1,255
Deere and Company	22,100	622	630
Digital Equipment Corporation	13,000	639	1,115
Dover Corporation	44,400	1,644	1,843
Dow Chemical Company	33,000	1,061	1,893
Dow Chemical Company	45,000	1,844	2,582
EI Dupont De Nemours and Company	10,700	666	891
EG and G, Inc.	67,000	2,593	2,270
Eastman Kodak Company	22,000	1,013	1,290
Edwards AG, Inc.	54,000	1,137	1,397
Federated Department Stores, Inc.	22,000	1,200	1,955

ALASKA TEACHERS' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD AT

JUNE 30, 1986

(IN THOUSANDS)

(CONTINUED)

<u>Common Stock</u>	<u>Shares</u>	<u>Cost</u>	<u>Market</u>
First Boston, Inc.	50,200	2,748	2,572
Fluor Corporation	100,000	1,683	1,625
Ford Motor Company Del	48,000	1,621	2,646
GTE Corporation	52,600	2,218	2,847
General Dynamics Corporation	22,600	1,601	1,729
General Electric Company	27,800	1,579	2,252
General Electric Company	22,900	1,394	1,856
General Motors Corporation	18,100	1,374	1,405
General RE Corporation	28,800	471	1,800
Georgia Pac Corporation	30,000	750	941
Goodyear Tire and Rubber Company	26,600	783	878
Grace WR and Company	25,200	569	630
Greyhound Corporation	25,200	886	888
Gulf and Western Industries, Inc.	46,200	2,840	3,286
Halliburton Company	32,900	709	732
Harcourt Brace Jovanovich, Inc.	75,000	1,398	2,719
Hewlett Packard Company	40,200	1,367	1,648
Hewlett Packard Company	31,000	1,222	1,283
Home Federal Services and Loan Association, San Diego, California	60,500	2,111	2,288
Hospital Corp America	61,800	2,261	2,348
ITT Corporation	50,300	1,951	2,735
ITT Corporation	43,000	1,786	2,338
International Business Machines Corporation	12,000	1,502	1,758
International Business Machines Corporation	46,200	6,249	6,768
International Minerals and Chemical Corporation	46,300	1,709	1,534
Johnson and Johnson	27,300	1,317	1,983
K Mart Corporation	20,500	706	1,166
Kimberly Clark Corporation	30,000	1,978	2,749
Lear Siegler, Inc.	27,200	1,204	1,486
Lilly Eli and Company	24,700	792	1,998
Lilly Eli and Company	40,000	2,171	3,235
Limited, Inc.	68,400	2,150	2,308
Lockheed Corporation	34,000	1,682	1,896
Loews Corporation	26,200	1,751	1,801
Mapco, Inc.	44,000	1,565	2,035
Marine Midland Bks, Inc.	45,000	1,817	2,340
McDonalds Corporation	25,800	908	1,737
Melville Corporation	27,000	1,101	1,917
Merck and Company, Inc.	24,000	1,404	2,508
Merck and Company, Inc.	19,000	894	1,985
Millipore Corporation	36,000	704	1,233

# ALASKA TEACHERS' RETIREMENT SYSTEM

## SCHEDULE OF INVESTMENTS HELD AT

JUNE 30, 1986

(IN THOUSANDS)

(CONTINUED)

<u>Common Stock</u>	<u>Shares</u>	<u>Cost</u>	<u>Market</u>
Minnesota Mining and Manufacturing Company	17,600	1,488	2,002
Morton Thiokol, Inc.	33,100	1,163	1,200
NCR Corporation	39,500	1,231	2,029
New York State Electric and Gas Corporation	25,700	718	848
Northern Industries Public Service Company	83,000	990	975
Ohio Casualty Corporation	20,500	1,271	1,712
Owens Corning Fiberglass Corporation	44,500	1,764	2,136
Pacific Telesis Group	21,700	984	1,218
Panhandle Eastern Corporation	5,200	186	250
Penney J.C., Inc.	36,000	2,376	3,069
Pepsico, Inc.	59,400	987	2,005
Phibro Salomon, Inc.	31,000	1,103	1,507
Phillip Morris Companies, Inc.	25,200	1,031	1,881
Piedmont Aviation, Inc.	25,400	854	1,010
Pioneer Hi Bred International, Inc.	42,000	1,701	1,711
Polaroid Corporation	20,000	768	1,460
Procter and Gamble Company	23,200	1,327	1,859
Procter and Gamble Company	17,100	1,081	1,370
Public Service Enterprise Group, Inc.	23,500	730	878
RJR Nabisco, Inc.	18,200	711	965
Raytheon Company	30,000	1,351	1,909
Royal Dutch Pete Company, New York Registry	24,200	1,341	1,948
St. Paul Companies, Inc.	34,400	1,607	1,557
Salmon, Inc.	2,500	136	122
Sanders Associates, Inc.	27,400	890	1,473
Schering Plough Corporation	30,000	1,804	2,531
Schlumberger Limited	58,900	2,179	2,025
Sears Roebuck and Company	59,100	2,173	2,866
Sears Roebuck and Company	53,000	2,359	2,570
Singer Company	30,000	982	1,676
Smithkline Beckman Corporation	9,600	866	962
Smithkline Beckman Corporation	18,500	1,280	1,855
Southwestern Bell Corporation	18,100	1,562	1,982
Sperry Corporation	4,102	199	311
Tenneco, Inc.	52,100	2,050	2,071
Texaco, Inc.	28,800	996	907
Texas Instruments, Inc.	8,400	942	1,003
Textron, Inc.	30,900	1,598	1,761
Time, Inc.	35,000	2,655	3,071
Times Mirror Company	32,500	1,923	2,267
Transco Energy	4,100	214	203
Transco Exploration Partners Ltd Dep UNI	205		3
Transworld Cord Del	7,950	227	269

ALASKA TEACHERS' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD AT

JUNE 30, 1986

(IN THOUSANDS)

(CONTINUED)

<u>Common Stock</u>	<u>Shares</u>	<u>Cost</u>	<u>Market</u>
Travelers Corporation	15,000	629	750
UAL, Inc.	24,700	1,367	1,355
USF and G Corporation	35,700	1,369	1,424
Union Carbide Corporation	38,500	804	813
United States Shoe Corp	11,000	227	271
United States Steel Corporation	86,200	1,822	1,778
United Technologies Corporation	31,700	1,309	1,569
Upjohn Company	25,000	2,405	2,365
Varian Associates, Inc.	11,700	351	301
Walmart Stores, Inc.	59,000	2,603	3,061
Warner Communications, Inc.	44,000	1,721	2,486
Warner Lambert Company	11,300	411	699
Waste Management, Inc.	57,000	2,599	2,850
Wells Fargo and Company	30,000	2,202	3,187
Whirlpool Corporation	13,700	656	1,067
Whirlpool Corporation	27,000	<u>1,247</u>	<u>2,103</u>
Total Common Stock		192,558	242,065
United States Treasury Bills	38,405	38,278	38,278
Income and Principal Cash		1,369	1,369
Total		<u>\$232,205</u>	<u>\$281,712</u>

ALASKA TEACHERS' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD AT

JUNE 30, 1986

(IN THOUSANDS)

(CONTINUED)

	<u>Cost</u>	<u>Market</u>	<u>Yield</u>
<u>Foreign Investments Managed By</u>			
Morgan Guaranty Trust Equities	<u>\$27,570</u>	<u>\$35,338</u>	
Total Morgan Guaranty Trust	27,570	35,338	1.74
Citibank Equities	<u>26,100</u>	<u>36,153</u>	
Total Citibank	26,100	36,153	2.54
Total Foreign Investments	<u>\$53,670</u>	<u>\$71,491</u>	
<u>Financial Futures</u>			
Discount Corporation of NY	<u>\$ 1</u>	<u>\$ 1</u>	
Real Estate Equity Fund	<u>\$58,308</u>	<u>\$64,860</u>	
Total Real Estate Equity Fund	<u>\$56,308</u>	<u>\$64,860</u>	



ALASKA TEACHERS' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD AT

JUNE 30, 1986

(IN THOUSANDS)

(CONTINUED)

Real Estate Mortgages  
and SBA Loans

	<u>Interest Rate Range</u>	<u>Out- Standing Cost</u>	<u>Weighted Average Yield</u>
<u>SBA Loans Services By</u>			
National Bank of Alaska	8.00 - 9.25	<u>\$545</u>	8.28
Total SBA Loans		<u>\$545</u>	
<u>Farmers Home Administration Loan Serviced By</u>			
First Interstate Bank of Alaska	12.75	<u>656</u>	12.69
Total Farmers Home Administration Loan		<u>\$656</u>	
<u>Conventional/Residential Mortgages Serviced By</u>			
Alaska Federal Savings and Loan	10.50	\$ 784	10.44
Alaska First Mortgage Company	10.00 - 13.00	2,832	11.26
Alaska Mutual Bank	9.25 - 16.00	14,692	12.24
Alaska National Bank	10.50 - 14.50	1,217	11.71
Alaska Pacific Bank	11.25	72	10.94
Alaska USA Federal Credit Union	10.12 - 11.00	1,195	10.01
B.M. Behrends Bank	9.50 - 16.75	6,858	12.02
Commonwealth Western	- 12.50	354	12.37
FedAlaska Federal Credit Union	14.00	110	13.81
First Interstate Bank of Alaska	9.50 - 17.50	23,147	12.14
Home Savings and Loan	10.25	478	10.19
Kissell Mortgage Company	8.00 - 17.00	43,585	12.82
Mt. McKinley Mutual Bank	9.25 - 14.87	3,104	10.87
National Bank of Alaska	9.25 - 17.50	30,530	11.78
Peoples Mortgage Company	10.25 - 10.50	695	10.22
Rainier Bank of Alaska	9.50 - 16.50	6,088	11.20
United Bank Alaska	9.37 - 16.75	21,608	12.34
Verex Mortgage Company	12.00 - 17.75	<u>7,710</u>	13.64
Total Conventional/Residential Mortgages		<u>\$165,059</u>	

ALASKA TEACHERS' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD AT

JUNE 30, 1986

(IN THOUSANDS)

(CONTINUED)

Real Estate Mortgages  
and SBA Loans - Continued:

	<u>Interest Rate Range</u>	<u>Out- Standing Cost</u>	<u>Weighted Average Yield</u>
<u>FHA Mortgages Serviced By</u>			
Alaska Mutual Bank	6.00 - 8.50	\$ 432	7.48
Alaska National Bank	5.75	14	5.43
Alaska Statebank	5.25 - 8.50	466	6.83
First National Bank of Anchorage	5.25 - 8.50	1,169	8.23
National Bank of Alaska	5.25 - 8.00	860	7.21
Rainier Bank Alaska	7.50	23	7.50
Rainier Financial Services	5.25 - 8.50	429	7.76
Total FHA Mortgages		<u>\$ 3,393</u>	
Total Real Estate Mortgages and SBA Loans		<u>\$169,653</u>	